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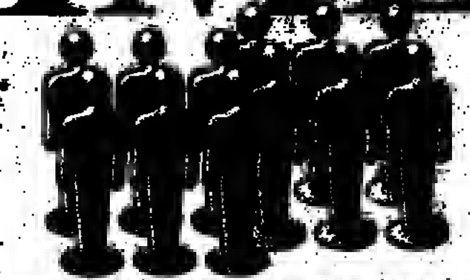

Under attack
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Page 2

World Business Newspaper

WEDNESDAY JANUARY 3 1996

Bosnia abductions pose first test for Nato peace force

The Bosnian government yesterday accused Bosnian Serbs of abducting 16 civilians, giving the Nato-led force its first real challenge in enforcing the ambitious peace accord. The people were detained over the past week while driving through Ilidza, a Serb-held suburb of Sarajevo, using a route newly opened under the Dayton agreement, according to a statement from the Moslem-led government. Nato officials said they could not confirm reports of the kidnappings and suggested that it was a police matter. Page 10

Forte document promises £800m buyback

Forte, the UK's largest hotels group, has promised shareholders a share buyback worth £800m ($1.2bn) if the hostile £3.3bn bid from Granada fails. The main defence document, published yesterday, also commits the group to increasing its dividend by 20 per cent for the next three years. Chairman Sir Rocco Forte (left) said the document was the equivalent of a prospectus for a new hotel company. Shares in Forte rose 12½p to close at 343p, while Granada shares fell 3p to 642p. Lex, Page 10; Page 11

Turkey's coalition talks stall: Bülent Ecevit, the leader of Turkey's largest leftwing party, has rejected Tansu Çiller's fitness to lead a new coalition government. Ecevit's moderate Democratic Left party holds the balance of power in coalition talks between Çiller and her bitter rival, Mesut Yilmaz. Page 2; Identity crisis, Page 8; Lex, Page 10

Incentive bids $1.5bn for Gambro: Incentive, one of the Wallenberg empire's main industrial companies, launched a SKr10.3bn ($1.5bn) bid to take full control of Gambro, a Swedish medical technology group it first bought into in 1994. Page 11; Lex, Page 10

Renault chief faces investigation: Louis Schweitzer, chairman of Renault, has been placed under formal investigation in connection with a political wire-tapping scandal that dates back to the mid-1980s, the state-owned motor group said. Page 2

Britain to press China on HK handover: Britain's foreign secretary, Malcolm Rifkind, will press Chinese leaders to draw back from plans to dissolve Hong Kong's elected parliament and water down its human rights law, when be travels to Beijing next week. Page 4

Pressure on US prices slackens: The US economy is likely to grow sluggishly and experience little upward pressure on inflation, a national survey of executives has indicated. Page 4

China issues new B-share rules: China has issued its first rules on the listing and trading of hard currency B-shares in an attempt to consolidate and unify the national market. Page 10

Slow start for open market in repos: Banks and other businesses already active in UK government bond dealing yesterday dominated the first day of trading in the open market in gilt repos. Page 11; Lex, Page 10

The London Stock Exchange has issued new guidelines for industry regulators on the control of information which could affect the share prices of companies under their supervision. Page 5

UK rate cut expectations damped: Hints of stronger economic activity, coupled with growing market concern about the possibility of an early UK general election, damped expectations of an imminent cut in interest rates. Page 5

BTR disposes of Malaysian joint venture: BTR, the UK industrial conglomerate, is withdrawing from the Malaysian petrochemicals industry. Page 13

Appeal over missing backpacker: UK police trying to trace Briton Jo Mashedar, missing in Thailand for nearly a month, stepped up their appeal for help from backpackers who recently travelled there. The 23-year-old solicitor was expected home at Christmas.

Russian volcano erupts after earthquake: A volcano erupted in Russia's far eastern peninsula of Kamchatka after a powerful earthquake measuring 7.2 on the Richter scale. There were no immediate reports of casualties or damage.

Cricket: South Africa were 44 for two at the close of the first day of the final test in Cape Town after bundling England out for 153. The first four matches in the five-test series were drawn.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,155.05	(+37.93)
NASDAQ Composite	1,051.09	(-1.04)
Europe and Far East		
CAC40	1,908.38	(+36.41)
DAX	2,284.86	(+30.98)
FT-SE 100	3,687.9	(-1.4)
Nikkei	closed	

■ US LUNCHTIME RATES

Federal Funds	5⅜%
3-mth Treas Bills: Yld	5.079%
Long Bond	112⅞
Yield	5.970%

■ OTHER RATES

UK: 3-mo Interbank	6½%	(same)
UK: 10 yr Gilt	107½	(107½)
France: 10 yr OAT	108.08	(107.87)
Germany: 10 yr Bund	103.77	(103.37)
Japan: 10 yr JGB	111.806	(111.816)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$18.45	(18.30)

■ GOLD

New York Comex		
(Feb)	$391.9	(388.1)
London:		
close	$389.2	(387.05)

■ DOLLAR

New York: lunchtime		
£	1.5555	
DM	1.43595	
FFr	4.90625	
SFr	1.1575	
Y	103.95	
London:		
£	1.5568	(1.5526)
DM	1.4347	(1.4313)
FFr	4.8976	(4.8905)
SFr	1.1569	(1.1507)
Y	103.965	(103.155)

■ STERLING

DM	2.2335	(2.2222)
Tokyo :	closed	

Austria	Sch37	Greece	Dr400	Malta	Lm0.85	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30
Bulgaria	Lw120.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.70
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl5.50	Syria	S£65.00
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Tunisia	Din1.750
France	FFr11.50	Lebanon	US$1.50			Turkey	L70,000
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00

AT&T to cut 40,000 jobs in demerger

US telecoms giant faces $6bn bill for sweeping reorganisation

By Tony Jackson in New York

AT&T, the US telephone giant which is in the process of demerging, is to shed 40,000 workers as part of a sweeping reorganisation which will cost $6bn before tax. The company said it would take a charge of $4bn net against earnings in fourth quarter of 1995.

AT&T said the job losses, the vast majority of which will be in the US, would include 30,000 involuntary redundancies. A voluntary redundancy package offered to 72,000 workers had been accepted by 6,500 by the closing date last Friday.

AT&T said last September it would split itself into a phone service company and an equipment manufacturer, and spin off its computer business, the former NCR. However, the job losses and financial charge are higher than expected.

Mr Rick Miller, chief financial officer, said the actions went a long way beyond splitting up the company. "We are taking the opportunity to revisit our strategies and review our portfolios of businesses", he said.

Of the $6bn total, $3.8bn represents costs associated with the demerger. The rest is due to sale, closure or write-down of other businesses. The figures do not include a net charge of $1.2bn for cutting 8,500 jobs in the computer business, taken in the third quarter.

AT&T has already announced it will sell AT&T Capital and its Paradyne equipment subsidiary. Mr Miller said "other portfolio actions" were being contemplated. Charges for disposals and associated write-downs would be $1.5bn before tax, he said.

Further charges of $500m would result from writing down some activities, such as AT&T's on-line software, which will be abandoned as AT&T moves to an Internet standard, and obsolete hardware such as microwave towers.

Redundancies, which will cost $2.6bn in total, will come both from existing central office functions and from the two new companies. Job losses in central functions will total around 10,000.

The phone services business will reduce sales, marketing and back office staff, and cut the number of its telephone operators. The equipment company will centralise its management and close some manufacturing plants and international sales offices.

The total of 40,000 job losses includes the 6,500 voluntary redundancies and some 4,000 employees who will leave on the sale of subsidiaries.

AT&T said the effect would be to cut employment at the new phone services company by 17,000, or 13 per cent, to 110,000. The equipment company would lose 23,000 workers, or 18 per cent.

At the start of this month AT&T had 300,000 employees, compared to a peak of 317,000 four years ago. Including the job losses at the computer business, its total employment will shrink by around 15 per cent.

AT&T's shares rose $3 to $67⅝ in early trading. The demerger, the most radical change to AT&T since its breakup by the US government in 1984, is prompted largely by impending deregulation of US telecoms, allowing local and long distance companies to compete with each other.

World stocks, Page 26

Residents of the town of Ashington, north-east England, line up to collect water from tankers. They are among an estimated 250,000 people in the region who have had their water supply cut off because of burst water mains. Water companies said the pipes fractured as they thawed following a short period of severe sub-zero temperatures. One supplier, North East Water, estimated it was losing 82m litres of water a day in the Newcastle area. Page 5 Picture: Reuters

Employers urge reform of German pay structure

By Michael Lindemann in Bonn

Mr Klaus Murmann, the leader of Germany's influential BDA employers' federation, yesterday reopened the heated debate about the way wages are negotiated, demanding that pay packets be determined less by sectoral negotiations and more by corporate profits and individual performance.

Proposing what he called a "three-pillar" system, Mr Murmann said workers should be paid a basic sectoral minimum wage and this should be topped up with two extra elements. One would reflect the profits earned by the specific company and another the worker's own performance.

"Harder-working people should get more money and lazier ones should get less," Mr Murmann said in an interview with the DPA news agency, apparently designed as the opening shot in this year's wage round, which is slowly gathering speed and normally ends with a number of sectoral wage agreements in March.

Mr Murmann's comments come less than two months after the unions scored an unexpected public relations triumph with their so-called "alliance for jobs", whereby they would agree to wage rises in line with the inflation rate this year on condition that employers create 300,000 new jobs over three years.

The unions yesterday rejected Mr Murmann's proposal outright, describing it as "reactionary". The DGB union federation said the three-pillar model amounted to a "reintroduction of managerial arbitrariness".

Among criticisms of Mr Murmann's proposal, the unions said there was no mechanism to evaluate the performance of an individual worker.

However, the BDA said the evaluation would be based on the existing dialogue between management and works councils which are used extensively to decide bonuses.

Mr Murmann's proposal comes as employers and unions prepare to meet Chancellor Helmut Kohl on January 23 for a seventh round of talks designed to find new methods of creating jobs. Meanwhile, the number of people out of work is edging upwards from 8.2 per cent of the workforce in November towards 4m.

The debate about how wages are structured in Germany was simmering throughout the recent recession but it is likely to become fiercer again this year as the economy slows down unexpectedly fast. In October, leading economic institutes forecast 2.5 per cent growth in 1996, but weeks ago several warned that the economy would expand by just 1.75 per cent.

Difficult balancing act, Page 5

Austrian minister's resignation boosts hopes for coalition

By Eric Frey in Vienna

The Austrian finance minister, Mr Andreas Staribacher, resigned yesterday in a move expected to speed up the renewal of the coalition between the Social Democrats and the conservative People's party.

Mr Staribacher, a 38-year-old tax consultant, will be succeeded by Mr Viktor Klima, the transport minister, another Social Democrat. Mr Klima, 48, a former board member of tha oil and gas group OMV, has a reputation as a good negotiator and deal-maker.

Mr Staribacher had been the favourite whipping boy of the People's party since he became finance minister last April. Party members accused him of incompetence and dishonesty over the size of the budget deficit.

A row over his budget proposals, which relied heavily on new taxes and one-off gains from asset sales to trim the deficit, led the junior partner to walk out of the government and forced new elections last month.

Bnt the Social Democrats posted the biggest gains at the polls, winning six more seats for a total of 71 in the 183-seat parliament.

The People's party gained just one seat to bring its total to 53. Mr Jörg Haider's far-right Freedom party lost two and now has 40 seats.

In the wake of his electoral victory, Chancellor Franz Vranitzky announced that he would keep Mr Staribacher in his cabinet, in spite of the opposition of the conservatives.

The sudden resignation is seen as a concession to the People's party. Its leaders have threatened to go into opposition if the Social Democrats do not accept some of their budget proposals. They inclnde sharp cuts in social spending and a raising of the age at which people can take early retirement.

Mr Staribacher said that he would return to his tax consulting firm, where he was a senior partner before his short foray into politics.

After an election, the old ministers usually stay on as a caretaker government until a new cabinet has been confirmed by parliament. A change in a temporary government is unusual.

During the campaign, Mr Klima did well in a televised election debate against Mr Haider and is widely touted as a potential future chancellor.

The Social Democrats and the People's party plan to begin talks

Vienna's reds and blacks face pressure to be whiter ....Page 2

this week. They said they would seek agreement on the outlines of the budget for 1996 and 1997 before starting the actual coalition discussions.

Mr Klima will need all his negotiating skills to patch up the differences over economic policy with the People's party and trim Austria's fiscal deficit.

Preliminary consultations between the parties last week showed that the federal budget has to be trimmed by Sch66bn ($6.5bn) if Austria wants to stay on track to meet the convergence criteria for European monetary union by 1997.

Mr Staribacher's budget proposals, which were put forward last autumn, were still based on the assumption that only Sch30bn would have to be chopped from the budget.

Clinton in new bid to end budget impasse

By Jurek Martin in Washington

Mr Bill Clinton, US president, and congressional leaders of both parties were last night making their first attempt of the new year to resolve the budget impasse that has caused a 19-day partial shutdown of the federal government, the longest on record.

But there was little evidence that the principals have done more than skirt round the edges of their policy differences over issues such as the future of federal health insurance programmes and tha size of the tax cut the Republicans insist can be included in a seven-year plan to balance the budget.

Several participants described protracted weekend sessions in the White House as friendly but little more than a policy seminar, with hard bargaining conspicuously absent. Some of the sharper exchanges were reportedly not between Mr Clinton and Senator Bob Dole, majority leader, and Mr Newt Gingrich, House Speaker, but between moderate Republicans anxious to compromise and conservatives disinclined to cut deals.

The return of Congress today after the holiday recess adds point to the negotiations but may not necessarily further a solution, given the gulf between conservative Republicans in the House and the more moderate Senate. One weekend Republican proposal to put the government back to work, with the promise that the 280,000 laid-off federal employees would eventually be paid, predictably foundered in the Senate, where the Democratic leadership refused to

Continued on Page 10

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هكذا من الاصل

Capitalist tale of two cities in Russia

By John Thornhill in St Petersburg

Ever since Tsar Peter the Great founded St Petersburg in 1703, the elegant northern city has competed fiercely for wealth and status with its earthier urban cousin, Moscow.

The competition was largely suppressed during the Soviet era but is re-emerging as Russia rebuilds its market economy and the country's biggest cities encourage the growth of two very different forms of capitalism.

St Petersburg, founded as Russia's "window on the west", prides itself on its liberal values and openness. Moscow, which regained its status as the capital in 1918, has always championed a more introspective nationalist path.

Mr Anatoly Sobchak, St Petersburg's urbane mayor and hero of Russia's democratic movement for helping to face down the hardline communist coup in August 1991, has demonstrated St Petersburg's determination to raise its profile in international capital markets by issuing $500m (£324.6m) of municipal bonds in 1996, some of which will be targeted at foreign investors.

Before the 1917 revolution, St Petersburg raised finance in London and Paris to invest in urban infrastructure, transport, and housing. Mr Sobchak is keen to revive the tradition.

The mayor's message to St Petersburg's 5m residents is that the economy is recovering fast. Mr Sobchak notes that 70 per cent of the local workforce now works in the private sector and there are 200 banks in the city.

"Views in the west about Russia are inaccurate. The impression is far gloomier than the reality," he said.

"The collapse of production here is a positive process, a sign of the improving health of the economy. Any economy in which 75 per cent of production is devoted to the military-industrial complex is abnormal," he said.

Mr Sobchak concedes that early attempts to attract foreign investment proved disappointing. But he believes in patience and sees his role as being an ambassador for the city and encouraging a more transparent investment climate. "We do not seek to maintain control over the companies and entrench monopolies but want to encourage greater competition between banks and enterprises," Mr Sobchak said.

This liberal approach is in striking contrast to the interventionism favoured by Mr Yuri Luzhkov, the populist mayor of Moscow. While Mr Sobchak appears in his element hosting St Petersburg's glittering cultural events, Mr Luzhkov prefers to be seen investigating Moscow's sewerage system or supervising work on the capital's many building sites.

Mr Luzhkov's administration privatised companies far more selectively than in St Petersburg and has invested directly in dozens of projects and enterprises.

Even proud St Peterburgers admit that Mr Luzhkov's hands-on approach has so far been more effective in promoting capitalism, attracting as much as 80 per cent of the country's financial activities to Moscow.

But companies competing with Moscow's privileged companies allege that Mr Luzhkov's system has left scope for corruption.

Although Moscow may have taken the early economic lead, Mr Sobchak is still hopeful that St Petersburg can recover lost ground.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Renault chief faces investigation

Schweitzer: probe over wire-tapping dating from mid-1980s

By John Ridding in Paris

Mr Louis Schweitzer, chairman of Renault, has been placed under formal investigation in connection with a political wire-tapping scandal that dates back to the mid-1980s, the state-owned motor group said yesterday.

Company officials played down the implications of the move, a legal step which can lead to charges.

They said the investigation related to Mr Schweitzer's previous position as chief aide to Mr Laurent Fabius, the former Socialist prime minister.

Investors brushed aside the news, pushing shares in the car company up FFr6.1 to FFr147.1 ($30).

Industry observers noted, however, that the investigation comes at a sensitive time for Renault. The carmaker has been named by France's conservative government as a candidate for full privatisation this year, following the sale of a minority stake by the previous administration in 1994.

The probe concerns allegations that the telephones of politicians, lawyers and journalists were illegally bugged

But they added that a previous legal probe concerning Mr Schweitzer, in which the Renault chief was placed under investigation last year in a scandal involving contaminated blood, had not affected his position at the head of the company. Like the wire-tapping probe, that case related to his post in the previous Socialist administration.

The probe concerns allegations that the anti-terrorist unit at the Elysée Palace, then occupied by Socialist President François Mitterrand, illegally bugged telephones of politicians, lawyers and journalists.

Other prominent figures, including Mr Gilles Ménage, former head of Electricité de France, the state-owned utility, have been placed under investigation in the case.

"It is an illustration of the close links between government and industry and the risks that are sometimes involved," said one industry analyst, referring to the appointment of political allies to senior positions in state businesses.

The probe into Mr Schweitzer, which was opened in November, is also part of a broader series of investigations into business leaders.

Mr André Lévy-Lang, chairman of Paribas, was placed under investigation last week in a case involving alleged accounting irregularities relating to the sale by the financial group of Ciments Français, the cement producer.

Mr Martin Bouygues, head of Bouygues, the construction giant, was last month placed under investigation in a case concerning alleged influence peddling. Several other business leaders are the subject of investigation in cases ranging from illicit political funding to abuse of company funds.

The investigations, which often date back many years, have so far yielded few victims.

One exception is Mr Pierre Suard, who was forced to step down as chairman of Alcatel Alsthom last year after he was placed under investigation in cases relating to abuse of corporate funds and allegations that the telecoms, transport and engineering concern overbilled France Télécom, one of its biggest clients.

EUROPEAN NEWS DIGEST

French strikes hit car sales

December's strikes in the French public sector, particularly by transport workers, heavily dented car sales for the month, carmakers said yesterday. The CCFA trade body said the car sector was hit by the reluctance of consumers to spend in a period of uncertainty. The 18.4 per cent fall in December car sales was significant as, up to then, the French market had declined by no more than 0.5 per cent in the first 11 months.

Meanwhile, underground train services resumed under police escort in the French Mediterranean city of Marseilles yesterday, although some drivers continued to strike.

The Marseilles transport strike over pay and working conditions is the last stoppage lingering after the crippling action against government austerity plans wound down a week before Christmas. A few private buses chartered by the city ran a skeleton service as bus drivers also remained on strike. Policemen protected train drivers who reported for duty from any attempt by the strikers to disrupt traffic, but no incidents were reported.

Rail unions in the eastern city of Strasbourg have warned they could go on strike again if they could not agree with management on wages lost during the December strike being spread out over a longer period. *Reuter, Paris*

German chemical sector caution

German chemical manufacturers said profits rose in 1995, but earnings growth may slow in 1996. "Pre-tax profit increased sharply in 1995," said Bayer in a survey on companies' expectations published by the daily Börsen Zeitung.

Bayer said its pre-tax profits rose by 39 per cent in the first nine months of the year, and it expects a "figure in excess of DM4bn ($2.7bn) for the whole year". However, "our forecast for 1996 is more muted", it added.

BASF said: "Earnings have increased significantly over 1994 levels", because of the worldwide economic upswing, strict cost management, increased internationalisation and the expansion of less cyclically sensitive business. Hoechst said its earnings at operating level rose "significantly" in 1995, largely thanks to higher capacity utilisation and increased sales volumes in the first half of the year.

Hoechst said: "Since the middle of the year, however, prices of chemicals and plastics in particular have eased. Even the effect of lower raw materials prices could not offset that. For 1996, we expect business to remain steady at current levels." It added, however: "The strongest impulses will come from non-European markets." *AFX, Frankfurt*

Robert Mauthner fellowship

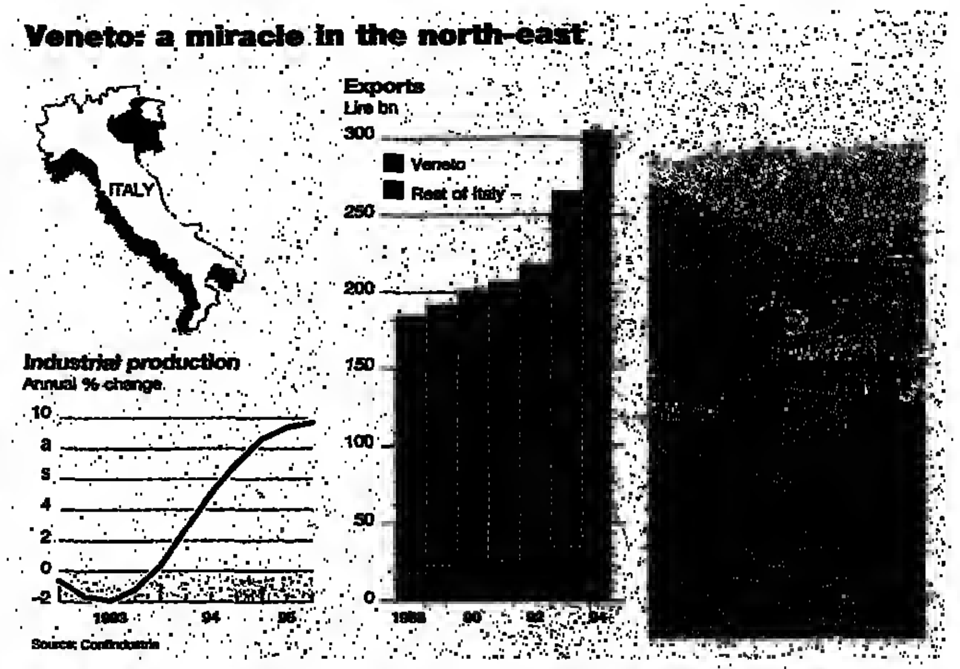
Ms Marian Hens, a Spanish journalist with wide European experience, has been chosen as the first Robert Mauthner Fellow on the Reuter Foundation programme at Oxford. The fellowship, supported by the Financial Times, commemorates Robert Mauthner, the late diplomatic editor of the FT and for many years Paris correspondent, who previously worked for Reuters.

It will be awarded annually to established journalists from European Union countries for reporting on European affairs.

Ms Hens was educated at the University of Granada and at the City University in London. As a journalist she has worked for the Guardian in London, for El Mundo in Madrid, and for Channel Four's "Europe Express". She was chosen from a large field of candidates, and at Oxford will study immigration into the European Union. *Foreign Staff, London*

Meanwhile, an Italian success story

Something of an economic miracle is occurring in the north east, writes Robert Graham



At a time when good news is in short supply in Italy, success stories tend to be transformed into miracles.

The latest to be discovered – dubbed "the miracle of the north east" – is nevertheless a remarkable tale of economic success. North-eastern Italy, with its core the Veneto region, is growing faster than any other part of the country – close to 4 per cent compared with 3 per cent for the country as a whole – on the back of an extraordinary explosion in export-led entrepreneurial activity.

With an economy based on agriculture, agro-industry, artisan work and few large companies, the Veneto has traditionally lagged behind other areas of the industrial north. Emigration abroad only ended in the 1970s and incomes began to catch up with those in neighbouring Lombardy and Piedmont from the mid-1980s. The catching up process has accelerated in the past two years although Veneto per capita incomes are still about 7 per cent lower.

"I don't believe talk of a miracle but here people are working flat out, entrepreneurs are innovative and the fruits are beginning to show," says Mr Mario Carraro, head of the Veneto industrialists association and chairman of his family group that is a leading producer of tractor components. Carraro sales, almost 90 per cent exports, last year jumped 33 per cent, a not uncommon phenomenon in the region.

Thanks to a strong export vocation, the Veneto pulled out of the 1992-93 recession quicker and earlier than other regions. During the past five years its share of national exports has increased almost two percentage points to 14 per cent. The Veneto now exports almost twice as much as the whole of southern Italy.

In the first nine months of last year 30,885 new companies were registered, 4.7 per cent up on tha same period in 1994. Unemployment has fallen to 5 per cent – less than half the national average.

Local entrepreneurs, most of whom have only come into their own in the past 10 years, exude confidence. "We aim to double our size as soon as we can, but with organic growth," says Mr Elio Marioni founder-owner of Askoll, a domestic appliance company.

He started with L7m (£2,800) capital 18 years ago, using his experience with a domestic appliance company to set up on his own. Askoll is now a world leader in aquariums, making 65,000 a year with a L70bn turnover and a joint venture in China plus sub-contracting arrangements in Malaysia.

Askoll's arcane line of production highlights one of the key distinguishing aspects of the emergent Veneto gronps. They have all begun by attacking small, highly specialised niches and often only produce one part of a product.

One of the distinguishing aspects of the region's groups is that they have all begun with small, highly specialised niches and often only produce one part of a product

"In the Veneto most people set out to be successful in micro-sectors," says Mr Massimo Carraro, chief executive of Morelatto, his family's company which is a leader in fashion watchstraps.

The single-minded pursuit of a micro-sector is evident in the story of Zhermack, a small dental products company founded in 1982 by Mr Vittorio Mora and Mr Tiziano Busin. Both in their late twenties, they had worked for a dental company that collapsed. With L6m of their own money and L10m from the bank guaranteed by their parents they decided to produce the paste for dental moulds. In the last four years sales have doubled and will reach L18bn this year.

"It's a small market; bot we have broken into it with some very successful products and we are determined to carve out a bigger share," they say.

The new breed of industrialists is nearly all drawn from people with university or strong technical backgrounds aware of the need for a big investment in research and development. They believe the lack of big industry, against a background of a conservative Roman Catholic society, has been to their advantage. The trade unions are co-operative and usually weak, allowing flexibility in work practices. Expansion has always been matched with substantial increases in productivity.

Wages, meanwhile, have been slightly lower than in Piedmont/Lombardy, especially as most of the clothing and leather businesses rely on a large supply of female labour working from home.

Industrialists pnt great emphasis on organic growth as opposed to acquisitions. Carraro, one of the older companies, began in the 1930s producing agricultural machinery, and did not make its first acquisitions until the 1980s. However, it is unusual in having just floated part of its shares on the Milan stock market. Sit La Precisa, a prominent medium-sized group founded in the 1950s to make valves for gas heating appliances, is only now contemplating diversification – branching into the production of the electronics for the appliances.

The presence in most cases of the family as owner/entrepreneur is important. The businesses are handed on to children and usnally two generations can be found working together.

Profits are re-invested more easily with family control and the main luxury permitted is an expensive car.

But the emphasis on family control means many businessmen shy away from banks, generally mistrust the idea of going public and prefer to stay small and relatively inconspicuous.

The other strength of the Veneto is the way entrepreneurs have latched on to artisan traditions. Rossimoda has become one of the leading producers of women's shoes for international fashion houses. It is based in the area of the Brenta River (feeding into the Venice lagoon) where 10,000 people are working in 750 companies related to the design and prodnction of women's shoes. A nearby institute teaches shoe-making to 150 people a year.

Similarly Bisazza, also founded in the 1950s on the back of tha regioo's glass-making tradition, has become one of the world's most important specialists in glass mosaic tiling/flooring. Its business near Vincenza has close ties with a regional institute for mosaics.

The final ingredient in the Veneto boom has been its proximity to northern markets and the expanding opportunities in eastern Europe. Transport costs are low for the main European markets and cheap labour can be tapped across the border.

Venice itself – once the wealthiest city state in Italy – has been by-passed by the boom. It bears the scars of the development of a now ailing petrochemical industry round the lagoon. But the fabled city plans a scieoce park to feed the region. If Venice were to derive benefit, this would indeed be miraculous.

Çiller leadership fight stalls Turkey's coalition talks

By John Barham in Ankara

The leader of Turkey's largest leftwing party yesterday strongly rejected Mrs Tansu Çiller's fitness to lead a new coalition government following the indecisive ontcome of December's general elections.

In a newspaper interview yesterday, Mr Bülent Ecevit criticised Mrs Çiller's purchase of property overseas. He said she "does not have the right" to run the country and compared her with Mrs Imelda Marcos, the former first lady of the Philippines.

Mr Ecevit's moderate Democratic Left party (DSP) took 75 seats in the 550-member parliament and holds the balance of power in coalition talks between Mrs Çiller's conservative True Path party and her bitter rival, Mr Mesut Yilmaz, leader of the conser vative Motherland party.

Both won almost the same number of seats, but personal animosity is obstructing coalition talks to exclude from power the Islamist Refah party, which aims to transform traditionally secular Turkey into an Islamic republic.

Refah is now the largest party in parliament with 158 seats.

Mr Ecevit said he would support a True Path-Motherland coalition, but "the problem is that Çiller insists on being prime minister".

Mrs Çiller claims the right to continue as prime minister because her party took three more seats than the Motherland's 132.

Mr Ecevit hinted he could break the deadlock by taking over as prime minister himself, saying a "third [candidate for] prime minister could be found".

In this case, he would act primarily as an arbiter between Mr Yilmaz and Mrs Çiller. However, Mr Ecevit warned that "an unsuccessful government may increase Refah's chances [at early elections]. If coalition talks are stuck, then early elections may come."

Althongb negotiations between party leaders are stalled, MPs and party officials are talking behind closed doors. Informal contacts between the Motherland party, which has a large contingent of Islamist sympathisers, and Refah are also taking place.

President Süleyman Demirel earlier said he would not necessarily offer Refah a mandate to form a government.

However, commentators say that he should observe constitutional precedent by offering them a mandate.

Some also believe Refah should be encouraged to participate in government and shoulder some of the responsibility for reforming Turkey's unstable economy rather than remaining in opposition.

Identity crisis, Page 8;
Lex, Page 10

Vienna's reds and blacks face pressure to be whiter

By Ian Rodger in Vienna

How to cut the budget deficit will be at the top of the agenda when leaders of Austria's Social Democratic party and conservative People's party meet this week to negotiate a new coalition in the wake of last month's general election.

But the two old parties also have to tackle another long festering problem – political patronage – if their new government is to have any chance of retaining public confidence.

Austria probably has a more widespread system of political patronage than any other country in western Europe, with all senior jobs in government-influenced sectors systematically shared between supporters of the two ruling parties, generally known as the reds (Social Democrats) and the blacks (People's party members).

In some cases, this sharing, known as *Proporz*, goes to absurd lengths. State-controlled Austrian Airlines has two presidents, as does Flughafen Wien, the quoted company that runs Vienna airport.

Proporz extends far beyond the executive suite. Austria has black and red trade unions, black and red motor clnbs, black and red health clubs and even black and red huts in the alps.

Some government departments are protected fiefdoms of one or the other party – the Social Democrats always run the Transport Ministry, with its substantial patronage potential in the railways and highways, and the People's party always presides over agriculture and defence.

Proporz was marginally defensible when the Social Democrats and the People's party together could count on the support of more than 80 per ceot of the electorate. But in the past decade, as their combined support has plunged to about two thirds, the system has come under increasing strain.

Indeed, the rapid rise of Mr Jörg Haider, the charismatic leader of the far-right Freedom party, is largely attributable to his gleeful exposure of the absurdities and corruption arising from the *Proporz* system. His calls to "clean out the muck" in government find responsive audiences, especially among young people who resent the idea that they must become black or red to advance their careers.

Austria has also irritated the European Commission by extending *Proporz* to its allocated Brussels jobs. When a post at the Commission becomes available for an Austrian, Vienna complies with the letter of EU policy by sending four or five potential candidates. But wben the applications are analysed, it becomes apparent that only one of them – alternately a red and a black – is qualified.

In fairness, the *Proporz* system is much less pervasive than it was 10 years ago. Privatisation of most of the state's large industrial holdings has removed government influence from job appointments in much of industry. And even those companies that remain under state control feel freer to oppose state interference.

The sector where *Proporz* remains rampant is banking. Creditanstalt-Bankverein, the country's second largest, is by long tradition a black bank. But because it is state controlled, a sprinkling of reds has been parachuted into the supervisory and executive boards.

The former Länderbank, also state controlled, was traditionally red bnt had a sprinkling of blacks at the top level until it was taken over by a Viennese savings bank group in 1991 to create Bank Austria. Bank Austria is controlled by a city of Vienna foundation and, since the Social Democrats have an absolote majority at city hall, they have felt free to purge the Bank Austria executive board of token blacks.

Haider: won support by attacking patronage

These two leading banks have also been proxies for the state as owners of industrial and commercial companies, and have in the past extended *Proporz* to them. However, this has met with growing resistance in the past decade, and both banks are now committed to shedding their industrial portfolios.

Proporz has also meant a fair sharing of the government's juicy privatisation and flotation mandates between the two leading financial institutions, regardless of performance. Small wonder that Austria's banks are among the most mediocre performers in western Europe.

Partly because of pressure from Mr Haider and other opposition politicians, both ruling parties committed themselves in the last election campaign to taking privileges away from party hacks. Perhaps this played some part in both the reds and blacks making gains in the elections while Mr Haider, for the first time in a decade, saw his support fall back slightly.

Bnt reform will be stoutly resisted by the thousands of party faithful who heve played by the rules throughout their careers and expect to be taken care of by their leaders.

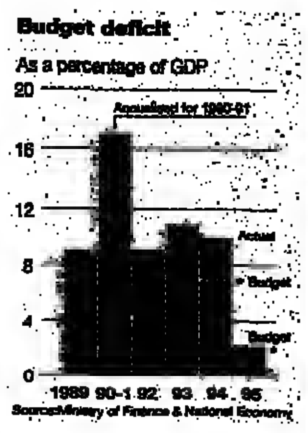
Indeed, Viennese businessmen say that the competition among loyal party members for secure positions is now becoming more fierce precisely because the scent of reform is in the air. Brussels officials were bemused by the ferocious lobbying of both parties a few weeks ago on behalf of their candidates to be EU information officer in Vienna.

Mr Haider appears to be in considerable difficulty following the revelation of his sympathetic remarks last October to veterans of Hitler's Waffen SS. But his support could revive if the reds and the blacks do not follow up their commitment to attack *Proporz*.

هكذا من الاصل

Deficit fears remain after tight Saudi budget

By Roula Khalaf, Middle East Correspondent



The 1996 Saudi budget was welcomed by bankers and diplomats in the kingdom yesterday as an indication that Crown Prince Abdullah, who was handed the reigns of power by King Fahd on *Monday*, intends to keep a tight lid on government spending.

Some expressed surprise, however, that the budget forecast an increase in the fiscal deficit and that no further reductions in subsidies bad been announced.

Detailad in royal decrees issued late on Monday, it maintains spending at 1995 levels of SR150bn (£26bn) but forecasts an SR18.5bn deficit, np from the SR15bn projected for 1995. It *also* projects a slight reduction in 1996 revenues to SR131.5bn, down from last year's forecast of SR135bn.

"It's encouraging to see the adjustment process is continuing and they are maintaining the strategy of bolding down public sector expenditures and relying more on the private sector," Mr Henry Azzam, chief economist at Sandi Arabia's National Commercial Bank, said yesterday.

"One would have liked to see a smaller deficit but we cannot rule out that it will be smaller since it will depend on oil prices." The 1996 budget is believed to be based on the same conservative assumption of a $14 a barrel used in last year's budget.

One western banker in the kingdom said yesterday the business community had been expecting further increases in utility charges, especially reductions in water subsidies, and wondered whether the private sector will have the appetite to continue financing the budget deficit through purchases of government bonds.

"It would have been more prudent to press ahead with further rednctions in snbsidies," said the banker.

Pursuing the clean up of the kingdom's finances is one of the most daunting challenges facing Crown Prince Abdullah as he takes over management of government affairs while the ailing King recovers from a stroke suffered in November.

The Aramco refinery at Ras Tanura, eastern Saudi Arabia Laurent van der Stock

Following the Gulf war, which cost Saudi Arabia about $60bn after the mid-1980s collapse in oil *prices, Saudi* Arabia suffered an economic shock.

Budget deficits spiralled out of control and foreign assets began to shrink.

Since 1994, however, the government has been committed to reforms aimed at cutting government spending and preparing Saudis for a less pampered lifestyle, raising non-oil revenues and allowing a larger role for the private sector.

Efforts to cut the budget deficit intensified last year as the government increased prices of *water, electricity, postal and* telephone charges and petroleum products.

It bas given no indication of the deficit for 1995; but the International Monetary Fund last September forecast a shortfall of 5 per cent of gross domestic product, above the Sandi government projection of only 2 per cent, but a big improvement over 17 per cent in 1990-1991.

Saudi Arabia's sixth development plan unveiled last year vowed to eliminate the deficit by 2000.

The improvement in the 1995 deficit, bowaver, is largely thanks to the estimated 21 per cent increase in the average Saudi oil sale price during the year.

This boost in oil prices, not expected to rise this year, has fueled concern among economists that Saudi Arabia and other Gulf states will fall victim to false bopes of an end to their economic crisis and be tempted to delay further reforms.

The IMF has warned that in the absence of further curbs on expenditure and increases in non-oil revenues, the deficit could rise again to 10 per cent of GDP in 2000.

The NCB'a Mr Azzam said *that, given likely inflation* – the government has admitted to 5 per cent inflation in 1995 – and the fact that the government wants no growth in public sector pay, ending subsidies over a longer period than two years would cause less instability. The significance of the 1996 deficit will depend on its relation to GDP which itself depends on how oil markets perform this year. Monday'a royal decrees said the economy grew at a nominal 4.3 per cent last year, up from 1.4 per cent in 1994, which suggests a static economy in real terms.

More significant, says Mr Abdullah Dabbsgh, secretary general of the council of Saudi chambers of commerce and *industry, is* the growth in private sector GDP, which the government put at 7.5 per cent last year, up from 4 per cent in 1994.

Although some bankers said yesterday these figures should be treated with cantion, Mr Dabbagh said the faster private sector growth was in line with government policy of expanding the non-oil areas and the role of the private sector.

Oil prices firm on succession

By Robert Corzine

Oil prices remained firm yesterday as traders and industry analysts assessed whether *King Fahd'a decision* to hand over power to Crown Prince Abdullah would lead to any changes in the oil policy of the world's largest patrolaum exporter.

The price of the benchmark Brent Blend for February delivery rose 15 cents to $18.45 a barrel at the close of trading in London yesterday. But most analysts predicted the transfer of power would have little lasting impact on oil prices.

Speculation that Prince Abdullah might loosen ties with the US and support cuts in oil ontpnt in order to achieve higher prices was dismissed.

"The differences between the two have been exaggerated," said Mr Robert Mabro of the Oxford Institute for Energy Studies. "Prince Abdullah may have a different style, bnt there has been a constancy in Saudi policy since King Abdul Aziz (the father of tha two men) in terms of oil and the relationship with the US."

Saudi Arabia, the dominant member of the Organisation of Petroleum Exporting Countries, produces 8m barrels of oil a day, a level analysts say it needs to maintain in order to provide sufficient associated natural gas to the country's thriving petrochemicals industry.

It has kept output at that level over the past two years in spite of a surge in production by non-Opec countries, such as the UK and Norway, which have captured virtually all of the recent growth in world oil demand.

Fears last year that Sandi Arabia might start a price war to defend its market share never materialised.

Mr Joe Stanislaw, head of the Paris office of Cambridge Energy Research Associates, said the kingdom would probably adhere to the present policy of "waiting for the world's oil market to grow" to a point where global demand outstrips new, non-Opec supplies.

In recent months, government officials in Riyadh hava said they are content to maintain present output as long as prices stay in the $16-$20 a barrel range.

In 1995 the price of the Opec basket, an average of seven crude oils inclnding Saudi Arabia's Arabian Light, was $16.86 a barrel, well above the $14 oil price target in the budget.

Reformer replaces Sedki

Ganzoury named Egypt's premier

By James Whittington in Cairo

Ganzoury: led IMF delegation

The Egyptian cabinet headed by Mr Atef Sedki yesterday resigned and Mr Kamal el Ganzoury, deputy prime minister and minister of planning, was asked to form a government.

The surprise announcement, which came late in the day after an emergency cabinet meeting, marks the end of Mr Sedki's much-maligned 10-year premiership. Business leaders and representatives of Egypt's biggest donors welcomed the cboice of the new prime minister wbo was described as a "*born again reformist*".

Although be has been closely involved in the country's economic planning since the early 1980s, Mr Ganzoury has recently been seen to take a stand against more conservative elements in the Egyptian government on the subject of economic reform.

As an economist, with a doctorate from Michigan University, be last year impressed the International Monetary Fund wben be led Egypt's delegation to Washington for its annual consultations. He is also working with the World Bank in Cairo.

The change in cabinet comes one month after Egypt voted *for a new parliament in violent* and controversial elections. Before the election President Hosni Mubarak ruled out any change in his team saying it would hinder stability and investment. Since the last minor cabinet reshuffle in October 1993, there have been increasing calls for change in the cabinet wbose members, like the former prime minister, have beld their posts for the past decade or more.

The new prime minister is expected to announce his cabinet over the next few days altbough wbolesale changes in key portfolios such as foreign affairs and information are not expected.

Dissidents fuel unrest in Fatah

By Mark Dennis in Nablus

A rift between local activists and the central leadership of the Fatah faction of Mr Yassir Arafat, the *Palestinian leader*, is adding to criticism of Mr Arafat's rule in the run-up to tbe first Palestinian general elections on January 20.

A spokesman for five promioent Fatah activists who broke recently from Mr Arafat to form an independent list, complained yesterday of indirect intimidation from Mr Arafat's deputies.

"They threatened us and announced through the newspaper that those wbo are with Fatah should not run as independents," said Mr Husam Khader, a former member of the Palestinian National Council wbo said be was originally number seven on the Nablus Fatah list before Mr Arafat had him removed.

Several activists from Mr Arafat's Fatah faction have been angered by his apparent manipulation of electoral lists, in which candidates elected by local committees to the Fatah *lists* have been replaced by ones appointed by Mr Arafat.

Fatah-endorsed candidates are generally considered to have the best chance of winning a seat in the 88 member council. "We are not bappy (with the changed lists)," said Mr Marwan Barghouti, the bead of Fatah in Ramallah. "We will have problems with the central committee over whom to support."

Their complaints follow this week's sharp condemnation of Mr Arafat's administration's handling of the elections by the head of the European Union monitoring team. Mr Carl Lidbom, head of the European Union elections monitoring team, released a sharp statement Monday saying that Mr Arafat's administration's *manipulation of the pre-election* preparations was harming the poll's credibility.

Mr Lidbom questioned the political independence of the Central Elections Committee, which is beaded by Mr Mahmoud Abbas, a key deputy of Mr Arafat. He also complained about the trimming of the campaign period from 22 days to 14 days, making it more difficult for opposition and independent candidates to garner support. Elections officials reinstated tbe official campaign period yesterday in response to Mr Lidbom's criticism.

Mrs Hanan Asbrawi, the noted Palestinian human rights activist, condemned Mr Arafat's administration yester*day for violating* freedom of the press over the arrest of the editor of a leading Palestinian daily. Mr Maher al-Alami, who was released Saturday, was held for six days for not publishing a front-page story praising Arafat's relations with local Christians. Ms Ashrawi, is an independent candidate.

While Mr Arafat's opposition has come largely from Islamic groups opposed to the peace process and not running in the elections, the overall criticism reflects a general unease with Mr Arafat's authoritarianism among the secular Palestinian intelligentsia. While Mr Arafat is considered above the politics and a shoe-in for the presidency, some observers think a protest vote against him may come out in elections for the legislature, where some of his close allies could lose.

هكذا من الأصل

Third round of bidding is expected after eight out of country's 13 zones fail to attract foreign investors

India's telecom tender finds lukewarm response

By Mark Nicholson in New Delhi

India's year-long attempt to attract foreign and private investment into the telecoms sector secured only a lukewarm response this week when the deadline passed for a second tender to provide basic telephone services in 13 zones.

It is now likely there will have to be a third round of bidding as eight of the 13 zones failed to attract any bids.

Only six Indian-foreign joint venture companies submitted bids in the other five zones.

The initial bid round drew 81 bids from 16 companies for all 20 zones offered, but the government later rejected bids in 10 zones as too low, while capping the number of zones any single company could hold – moves which necessitated the latest bid round.

The winning bidders – all combines of Indian business groups and international telecoms operators – were Tata Group and Bell Canada in Andhra Pradesh, which bid Rs42bn ($1.19bn), R P Goenka group and NTT of Japan in Tamil Nadu (Rs116bn), Essar Group and Bell Atlantic of the US in Punjab (Rs45bn), Reliance Industries and Nynex of the US in Gujarat (Rs34bn) and Usha Group and Moscow Telecom in Bihar (Rs2.6bn). Only in Punjab was a competing bid submitted – by Bharti Telecom and Stet of Italy.

In each of the five "circles" (zones roughly equivalent to Indian states) the bids exceeded the government-set reserve prices. No bids were received for Kerala, West Bengal, Assam, Madhya Pradesh, Himachal Pradesh, Orissa, eastern Uttar Pradesh, the Andoman and Nicobar Islands, and the north-eastern states.

Ten previous bidding consortiums, which included such international telecoms companies as US-West, AT&T of the US and Telstra, the Australian state provider, made no rebid.

Industry executives said companies were deterred from bidding both by the political controversy surrounding India's telecoms deregulation and by the reserve prices introduced by the government after the first round of bidding.

"There has to be a third round of bidding," said Mr Vijay Kapur, chairman of the Confederation of Indian Industry's telecoms committee. "The million dollar question is how they go about it."

Mr Kapur said that many companies had found the government reserve prices for the unbid states "would not have been financeable" and that the government would have to cut these prices to attract offers in a third bidding round.

Mr R K Takkar, chairman of India's telecoms commission, had said a third round would be possible, but no firm decision could be taken until India's Supreme Court had considered an opposition petition questioning the legality of the bidding process. The matter goes to court on January 9.

However, telecom executives said they feared a third round would be subject either to increased political controversy or further delay. With elections due by June, rebidding in the next few months would be too close to the poll and risk turning the round into a "political football". Mr Takkar, though, denied that elections would hinder a fresh bidding round, and suggested the round might proceed before the elections. He said the government might consider reducing reserve prices in some areas.

Sino-UK thaw set to assist Rifkind

By Simon Holberton in Hong Kong

Mr Malcolm Rifkind, Britain's foreign secretary, will press Chinese leaders to draw back from plans to dissolve Hong Kong's elected parliament and water down its human rights law, when he travels to Beijing next week.

Mr Rifkind is also expected to raise with Mr Qian Qichen, his Chinese counterpart, the British government's dissatisfaction with the pace of progress on settling outstanding issues relating to port development and aviation.

Foreign Office officials say that the underlying message Mr Rifkind wants to leave with Mr Qian is that confidence in Hong Kong will be adversely affected if Beijing implements its plans to change the colony's institutions.

China has said it will dissolve Hong Kong's Legislative Council, the colony's 60-member law-making body, and re-draft its Bill of Rights when it resumes sovereignty over the colony in 18 months. In addition, Beijing has said it will appoint a provisional legislature before 1997.

The foreign secretary arrives in Hong Kong on Saturday night for two and a half days of talks before leaving for Beijing. His visit comes at a time when the tone of Chinese comment about Britain is more positive.

Mr Lu Ping, China's top official in charge of Hong Kong affairs, said in a New Year's message that he looked forward to a "new dawning" in Sino-British relations this year.

He called for a return to the "spirit of the Joint Declaration" – the treaty Britain and China signed in 1984 which provided for Hong Kong's transfer to China in 1997. And in an apparent attempt to allay concerns in the Hong Kong government, he said the institutions to be created by China's "preparatory committee" would not undermine the Hong Kong government as they would not exercise power before July 1, 1997. The 150-strong committee is to oversee arrangements for the takeover.

However, there were limits to Mr Lu's emollience. He pointed out that if London persisted in its unco-operative attitude it "would not only harm the smooth transition of Hong Kong but hurt Britain itself".

A Foreign Office official said yesterday: "I think we are experiencing an upturn, for the time being." A recent commentary about British foreign policy from the official Xinhua news agency noted that Mr Michael Heseltine, the former trade secretary who is now deputy prime minister, had paid a "successful" visit to China and that Mr Qian had been accorded a "warm welcome" on his visit to Britain in October.

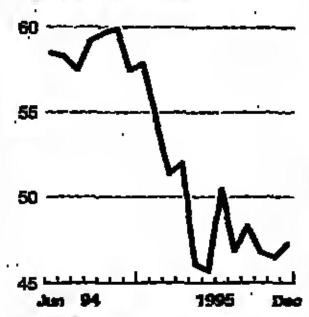
Foreign Office officials said Mr Rifkind would want to assess progress on the four main items the two foreign ministers agreed at their meeting in London – civil servant evaluation by mainland officials, the handover ceremony, liaison with the preparatory committee, and talks about Hong Kong's ninth container terminal.

Britain is resisting a demand by Beijing to exclude Governor Chris Patten from the handover ceremony, and China has yet to indicate how it envisages co-operation between the preparatory committee and the Hong Kong government.

Index suggests little pressure on US prices

By Michael Prowse in Washington

US Purchasing Managers' Index



Source: FT Extel

The US economy is likely to grow sluggishly and experience little upward pressure on inflation, a national survey of executives indicated yesterday.

Purchasing managers said their index of manufacturing activity edged up to 47.3 per cent last month, from 46.5 per cent in November. But it remained below the 50 per cent level marking the threshold for expansion in the sector for the fifth consecutive month.

However, there was positive news on inflation. An index measuring price pressures fell from 44.5 per cent in November to 40.8 per cent, the lowest reading since July 1991 when the economy was emerging from recession.

Mr Ralph Kauffmann, a spokesman for purchasing managers, said data for production, new orders and employment all pointed to a contraction of manufacturing activity last month. There was an encouraging increase in the proportion of companies reporting higher export orders.

He said past relationships indicated the economy was likely to grow at an annual rate of about 1 per cent – well below its long-run potential – if the purchasing index remained at current levels.

The Federal Reserve, the US central bank, cut short-term interest rates by a quarter point to 5.5 per cent shortly before Christmas in an effort to stimulate the sluggish economy. Many US economists expect further rate cuts, given the apparent absence of upward pressure on inflation and lacklustre growth in many sectors.

Mr Bill Griggs, of Wall Street investment strategists Griggs and Santow, said he expected the Fed to cut short-term rates by another half point over the next six months. Even with this the economy was likely to grow at an annual rate of only about 2 per cent, reflecting slower growth of employment and personal incomes.

The purchasing survey indicated that many manufacturing companies were still struggling to rednce inventories last month. Industrial production is expected to remain subdued until this invantory adjustment is completed.

Disney works its computer-animated charm

Christopher Parkes on Hollywood's hopes, moneyspinners and disappointments in 1995

Twister, a film featuring a nasty attack of wind, is already being touted as one of the big cinema seat-fillers of 1996, even as the disappointments of an over-crowded hnt under-attended 1995 movie season enter oblivion.

Hopes are also being pinned on Eraser, starring action-man Arnold Schwarzenegger, to obliterate uncomfortable memories of a year in which "expert" forecasts went predictahly awry and US box offices barely matcbed 1994's take of $5bn-plus.

Despite disappointments, the combined attractions of high-tech special effects and blood and thunder, are still Hollywood's strongest suits at bome and abroad. Twister, which stars special-effects tornadoes and agricultural ironmongery tumbling around the prairies, seems designed to appeal in the Jurassic Park mode.

Among last year's offerings, Die Hard with a Vengeance, the third in a series starring Bruce Willis, was the undisputed world number one with a provisional gross of $352m.

Even so, Toy Story, the first in a new generation of computer-generated animated charmers, was arguably the film of the year despite its extremely limited foreign release.

Disney's latest assault on the family movie market, with animation technology fostered by Mr Steve Jobs, an Apple co-founder, stood fourth in the US rankings for 1995 even though it had been on release for less than two months.

With US takings of $115m it was close behind its stablemate, the conventionally animated Pocahontas. The flag-waving Apollo 13 – a surprise hit overseas – was second behind Batman Forever.

During the year in which its merger with Capital Cities/ABC consolidated Disney'a top position in international entertainment, Toy Story was the film which tightened its grip on movie-goers' money.

Warner's Batman Forever may have taken the top US market position, hut together with the underwater drama, Crimson Tide, ranked eighth, and potboilers such as the newly released Tom & Huck, the original Disney gronp is expected to have kept its top position with more than 20 per cent of the domestic market.

In a year when the unusually heavy volume of releases diluted the average US box office take from $85m to $30m, water was pre-eminent as element of the season.

As the submariners of Crimson Tide pinged their way into the rankings, the Hollywood corps of pundits was silenced by the international success of the splashabout Waterworld. Over-blown, over-budget and over-criticised, it made it to number nine in the US top 10 and had pulled in e handsome $255m worldwide.

The more routine Cutthroat Island, a daft pirate story, slid gently beneath the waves to obscurity as the trailers started for the 1996 wettie, the umpteenth remake of Treasure Island, starring the Muppets.

There is no sign yet, though, of anything coming up to match the appeal of the talking pig in Babe. The entertainment surprise of 1995 remained undetected by US opinion-makers until it opened. It is number one in Britain, Germany and Australia, where is has earned the affectionate nickname of Jurassic Pork.

Animal appeal: Babe the talking pig (with Fly the collie) was the surprise success of 1995

Ten highest-grossing films of 1995

US receipts (provisional)	$m
Batman Forever	184
Apollo 13	172
Pocahontas	141
Toy Story	115
Ace Ventura II	108
Casper	100
Die Hard III	100
Crimson Tide	91
Waterworld	88
Seven	87

Source: [illegible]

Orange County determined to banish government by 'good old boys' network

Leaks of court hearings have revived bankruptcy memories, writes **Christopher Parkes**

Mr William Popejoy, a retired savings and loan exective, recounts his experiences when he took on the unpaid job of running California's stricken Orange County after financial scandal and a $1.7bn loss in the county's investment pool forced it into bankruptcy.

"My grandson said we were going to have to change our name and leave town," he recalled. "I was getting the distinct impression that I was the one who had caused the bankruptcy."

As he made plain at a recent business cluh debate on the aftermath of the bankruptcy of the county, there was little to relisb in being tainted by even the most remote association with the machinery of county government.

But after almost a year it had become easier to bear, not least because life in one of the richest regions in the US was returning to normal. As Mr Popejoy said: "The bankruptcy was almost just a hlip on the radar screen. It has had no real material effect on the county."

But was it not worrying, he and his colleagues asked, that the county's ability to absorb such shocks with few after-effects might lead to complacency? Was there not a risk of a return to the bad old ways of "good old boy" management and territorial and administrative fiefdoms which had flourisbed since pioneer times?

The prospect appeared to be growing until last week when the world – and the Orange County electorate which will vote on government reform in March – was reminded of the circumstances surrounding the fiscal collapse by a leak of evidence transcripts from grand jury hearings.

Testimony, including that from Mr Matthew Raabe, the assistant county treasurer preparing his defence against charges of securities fraud and other offences carrying penalties of up to 14 years' prison, revealed the inner workings of Orange County's government in unprecedented detail.

The predilection of Mr Robert Citron, former county treasurer, for taking investment advice from astrologers and psychics, has been thoroughly aired, and he has pleaded guilty to the charges that Mr Raabe plans to contest.

But public perceptions of Mr Citron's role in the drama has shrunk as the focus has swung to the 20-plus other people who allegedly knew of crimes and blunders long before the collapse. According to Mr Raabe, although Mr Citron was the man who "plotted and developed the investment strategy", a motley crew of politicians, lobbyists, county employees and lawyers had conspired to keep the truth under wraps.

As for himself, he had been "slandered" in the press. "I believe there are people who committed acts who, for whatever reason, would prefer to see that this case ends with an indictment and conviction of Citron and myself, so that they can go free," he told the grand jury.

Mr Raabe, who has heen offered neither a plea-bargaining deal nor leniency in return for his voluntary co-operation, is expected eventually to have his say in court. Whether a similar fate awaits others identified in his testimony remains to be seen.

Two members of the board of supervisors, senior politicians responsible for overseeing the machinery of government, and who have been charged with misconduct, face no punishment more severe than loss of office and a prolonged period of exposure to public scorn as the debate on government reform gathers pace.

Mr Popejoy was recently heard complaining that the county was reverting to business as usual.

Supervisors were once again involving themselves in the day-to-day business of government, helping make the administration "dysfunctional at best. At worst, dangerous," be charged.

This is just the sort of situation the proposed reforms would prevent. Central to the plan is the appointment of a professional chief executive in charge of day-to-day government functions.

Supervisors, elected to devise bnt not administer policies, would be limited to two four-year terms as a means of discouraging "old pals" networks.

But the reform proposal likely to prove most attractive to the electorate is the appointment on the basis of professional expertise of the county treasurer and his three closest associates, with an option to fire them if they fail.

Mr Citron, lacking any financial qualifications, was elected seven times in all to a job for life. The true extent to which his extraordinary 20-year balancing act depended on his entourage of cronies, lobbyists and soothsayers may yet unravel as Mr Raabe's case makes its journey through the criminal courts.

INTERNATIONAL NEWS DIGEST

US chip maker sues Samsung

Texas Instruments, a leading US semiconductor manufacturer, has filed a suit against Samsung Electronics of South Korea, the world's largest manufacturer of memory chips. The action followed negotiations over renewing a patent licensing agreement which expired at the end of 1995, TI said.

As one of the oldest manufacturers of semiconductor chips, TI holds a broad patent portfolio which covers many basic processes involved in chip prodnction. It licenses these patents to other producers, earning substantial royalties.

TI is asking a Texas court to issue a permanent injunction barring Samsung from using its patents and is also seeking unspecified damages. TI said it planned to file a complaint with the international Trade Commission, to prevent Samsung selling devices that infringed TI's patents in the US.

If the ITC issued such an order, it could cause a shortage of dynamic random access memory chips, the basic data storage devices used in all computers. TI, however, has used similar legal tactics previously to persuade other chip makers to pay patent royalties. *Louise Kehoe, San Francisco*

Tobacco groups challenge FDA

The US tobacco industry yesterday stepped up its campaign against proposed regulations aimed at stopping children smoking cigarettes, ahead of a midnight deadline for submissions. The industry fears the measures could be the prelude to even more radical action against cigarette smoking.

The five big US cigarette manufacturers and their trade association, the Tobacco Institute, submitted 2,000 pages of argument and a further 45,000 pages of appendices, claiming tha Food and Drug Administration does not have jurisdiction over tobacco products.

The dispute centres on whether or not cigarettes are "drugs". The companies said the FDA's proposed regulations on teenage smoking would violate both US law, and the constitutional right to advertise. *Patti Woldmeir, Washington*

Zapatistas reject military role

Mexico's Zapatista guerrillas, who staged a well-planned if brief uprising two years ago, have said the movement is to become primarily a political, rather than military, force.

The announcement appears to confirm that the Zapatistas – once a significant military force – are now merely a local movement in the poor, south-eastern state of Chiapas.

In a communique marking the second anniversary of their rebellion, the rebels said they would form a new organisation, the Zapatista National Liberation Front, which would be part of a wider opposition movement aimed at changing the country's constitution and protecting indigenous people's rights. *Daniel Dombey, Mexico City*

Nigeria frees detainees

Nigeria's military authorities freed earlier this week four political detainees, including Mr Wariebe Agamene, the former leader of the oil union Nupeng. The union led workers on a crippling etrike in 1994 to press for the installation of Mr Moshood Abiola, the presidential claimant, as head of state.

Nigeria has been in crisis since the annulment of the 1994 elections, which would have ended a decade of military rule. The crisis was worsened by the execution last year of activists, including author Ken Saro-Wiwa. *Reuter, Lagos*

Economy gives Suharto cause to celebrate

But foreign investment boom fuels debate over Indonesia's current account deficit, writes **Greg Earl**

It was hard to tell whether Indonesia's President Suharto was being the life of the party or hinting that he was about to close the bar when he greeted the economic New Year.

"In the economic field, nowadays what we are facing is not how to accelerate growth, but how to guard it so the high growth does not overheat the economy," he said in a weekend television speech.

"The government has taken steps to cool our economic engine, so in the future we can speed np again."

As the country's 74-year-old leader prepares to deliver his annual budget and economic statement tomorrow, he feels he has something to celebrate.

After a year which began with fears that the Indonesian economy might be facing the same problems as Mexico, its oil-fuelled, highly indebted cousin, Mr Suharto has managed quite a recovery.

At about 8.6 per cent, inflation has come in well below the destabilising 10 per cent expected earlier in 1995, and ministers say real GDP growth will be above the 7.1 per cent projected in Indonesia's revised five-year plan.

Last week the government announced record approved foreign investment of $39bn (£25.3bn), providing solid longer-term underpinning for growth, which is now being driven mainly by domestic investment and consumer demand. Growth projections for this year range from 6.5 per cent to 8 per cent, with most economists forecasting a gradual slowdown over the next two years as Indonesia tries to avoid the boom/bust cycle of 1991 which left its banks laden with bad debts.

However, the foreign investment boom has also fuelled the debate about the principal weak point in the Indonesian economy – a rising current account deficit stemming from a poor export performance and a growth-driven import surge. The deficit is estimated to have doubled to more than $6bn in 1995 and is forecast to remain at about that level this year, keeping the rupiah under threat of depreciating beyond the traditional 4 per cent annual managed decline.

The rupiah has been on a rollercoaster in the past year, oscillating between the lure of high interest rates and foreign fund manager concern about parallels with Mexico.

But that has not stopped Bank Indonesia, the central bank, from experimenting with a freer floating currency by widening the band within which the rupiah can move without intervention.

The volatile capital flows of the past year have underlined the increasing dilemma that Indonesia's economic planners face as they try to restrain inflation with high interest rates but boost exports with a depreciating currency – all in a very open capital market.

"The present policy seems unlikely to achieve either the inflation target or the export target," the Australian National University's respected economic survey said recently.

Although most economists say the $6bn current account deficit is quite acceptahle at about 3 per cent of GDP, there is growing scrutiny of the projects drawing in capital goods imports and the reason for the poor export performance.

"Any decline in the current account deficit in the medium term will depend on whether the high import growth generating the deficit will result in productive investment which will reduce imports and increase exports in the future," said one economist.

The growth in non-oil exports, which have fuelled Indonesia's recent economic development and repayed its debts, has been quite volatile in the past two years but now appears to be running at about 14 per cent, compared with long-term forecasts of 16 per cent.

An overall decline in the value of the country's biggest single non-oil export – plywood – has played the key role in the export deterioration, with economists hlaming constraints imposed by a wood export cartel.

There appears to be little agreement about a sustained recovery in this sector, with Mr Djamaludin Suryohadikusumo, the forestry minister, and the industry continuing to argue over the outlook.

There are also concerns about the competitiveness of Indonesia's other main non-oil export earners – textiles, clothing and footwear – with variable recent growth figures for specific products. But non-oil minerals and newer manufacturing sectors such as electronics and jewellery look more positive.

The government has not yet delivered a package of export deregulation measures, promised before the year-end. This is possibly because of the recent surprise restructuring of the trade and industry ministries, which means Mr Suharto's economic statement will be closely watched for any sign of new trade policies.

But recent reported moves to create a monopoly for the allocation of textile export quotas and for the import of raw cotton, underline the threat that Indonesia's long-standing politically awarded cartel arrangements pose to the economy's longer term performance.

INDONESIAN OUTLOOK

	1992	1993	1994	1995	1996*	1997*
Real GDP growth (%)	6.5	6.5	7.3	7.2+	6.5-7	6.5-7
Inflation (%)	4.9	9.7	9.2	8.6	7.5-8	6-8.5
Current account deficit ($bn)	2.5	2.9	3.5	6.4*	5.5-6	3.5-6

Source: Indonesian government plus *Merrill Lynch projections

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NEWS: UK

Alarm bells ring for mobile phone sales

By Alan Cane

Sales of mobile phones in the UK this Christmas fell well below the record levels experienced last year, indicating that consumers have stopped treating them as impulse-buy, high-tech presents.

Last year, mobile phones were among the most favoured electronic presents, vying for popularity with personal computers and games consoles.

This Christmas, sales of new connections by the leading operators were only three-quarters of the level a year ago. Consumers seem to have learnt that a mobile phone is not just for Christmas: the handset may cost only a few pounds but the bills come in each month throughout the year.

Both Vodafone and Cellnet, which now sbare market leadership with about 2.3m subscribers each, reported sharply lower figures for the three months ending in December 1995.

Vodafone made 286,000 gross new connections, down from 313,000 in the same period of 1994. Net new connections – allowing for the number of people who cancelled their subscriptions – were 143,000 in the fourth quarter of 1995, compared with 186,000 in the same quarter a year before.

Cellnet, in which British Telecommunications has a majority stake, reported 379,500 connections in total, compared with 369,500 last year. Net new connections were 215,000, down from 281,200. For both companies, the decline in new connections between the comparable quarters was just over 23 per cent.

The UK's two smaller operators, Mercury One-2-One and Hutchison Orange, which operate digital networks, will report their new connections in the next few days.

There was speculation yesterday that their figures would reflect the decline experienced by their longer established rivals. Vodafone and Cellnet said yesterday they had anticipated the decline in Christmas trade as sales became more uniform month on month.

Both companies achieved record new connections during tba year: Vodafone finished the year with 2.33m subscribers, having added 694,000 in 1995.

Sir Gerald Whent, Vodafone's chief executive, said business had continued throughout the year at a higher level than before. "In all but one month of the year [December], we connected more subscribers than the equivalent period of 1994," he said.

Cellnet said it had 2.30m subscribers, adding 740,000 new connections during the year. Mr Howard Ford, Cellnet managing director, said there had been high levels of sales throughout the whole of 1995.

Orange's rivals accept it has led the way in establishing branding and there will be great interest in the operator's connection figures as it is set to float later this year.

Vodafone, for exampla, will announce additional tariffs soon based on per second billing and "bundled" charges which include specified amounts of "free" airtime, both features of Orange's current offering.

Legal wrangles looming after copyright shift

By Peter Marsh

A wave of legal disputes in the book and music industries over royalties was predicted yesterday as a result of a change in UK legislation which revives copyright protection to an important group of writers and composers.

Legislation taking effect this week will mean that publishers and music companies will have to pay an amount estimated at several million pounds a year to the estates of people including Gustav Holst, D.H. Lawrence and John Buchan who died between 1925 and 1945.

The change in the law, introduced as part of a harmonisation of copyright legislation across the European Union, extends copyright protection after death from 50 years to 70 years.

Germany already protects on a copyright basis artistic works for 70 years after their creators' death. France and Italy, which like Britain previously had shorter periods, have also moved recently to 70 years.

The legislation has been brought in on a retrospective basis covering producers of creative works previously out of copyright for as long as two decades.

Mr Clive Bradley, the chief executive of the Publishers Association, which represents companies in the UK's £3.5bn ($5.35bn) a year turnover publishing industry, said: "The revival of protection to authors who previously were out of copyright is an unnecessary complication and will cause a lot of arguments." Penguin Books said the changes would have an impact on a "significant number of our titles".

Among the beneficiaries of the new legislation will be the National Trust, which collects royalties from the estate of Rudyard Kipling, another author covered by the new legislation on account of his death in 1936. The Royal Literary Fund, which distributes cash to budding authors, will also see a swelling in funds from money flowing in from companies publishing G.K. Chesterton, who also died in 1936.

The amounts of cash to be paid will depend on complex negotiations between agents and executors acting on behalf of the estates of dead authors or composers, and publishers and recording companies.

Publishers will be able to escape the additional royalties if they can prove that they had already started work last year on a new version of material originating from earlier this century. However, the exact definition of when work has started may prove a source of dispute.

Economy Consumer spending shown picking up over past month

Rate cut expectations damped

By Gillian Tett,
Economics Correspondent

Hints of stronger economic activity, coupled with growing market concern about the possibility of an early UK general election yesterday damped expectations of an imminent cut in interest rates.

The level of notes and coins circulating in the economy rose strongly in December, suggesting that consumer spending picked up over the Christmas holiday.

The data come amid widespread reports that retailers have enjoyed better than expected trade over the last month.

The strong growth in cash in circulation left the annual growth rate in M0 – the narrowest measure of money supply – well outside the government's monitoring range of 0 per cent to 4 per cent.

The Bank of England said that M0, which measures cash in circulation and bankers' deposits, grew by a seasonally adjusted 5.9 per cent in the year to December.

With the rise following a strong rate of growth in November, this pushed the three-month on three-montb rate up to 9.1 per cent, the sharpest jump for almost two years. The rise in M0 in December was slightly exaggerated by an erratic increase in bankers' deposits, which account for a small part of M0.

But the level of notes and coins in circulation, which accounts for the rest of M0, also grew by 6 per cent in the year to December, and by 0.8 per cent between November and December.

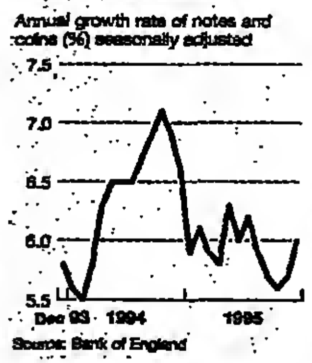
In previous racoveries M0 has been a good predictor of retail sales. However, the relationship betwaen the two series was more erratic earlier last year.

But in spite of these problems, some economists yesterday suggested that the data were a good omen for December's sales. A strong M0 figure in November was accompanied by better than expected levels of spending.

In the first day of trading in 1996, the sterling futures contract for June, which reflects interest rate expectations in that month, fell nine basis points, to 93.82. Although this means traders still expect rates to fall from their current level of 6.5 per cent between now and June, they expect a smaller fall than at the end of 1995.

Cash in circulation

Annual growth rate of notes and coins (%) seasonally adjusted



Source: Bank of England

Fresh signs of recovery in the UK housing market have come from figures on mortgage lending and house prices, *Alison Smith writes.*

Seasonally adjusted figures for new net mortgage lending by banks in November showed a monthly total of £677m ($1.03bn) – the highest level for 1995 so far. Gross lending in November was £2.06bn, against £1.93bn in October.

Halifax Building Society, the UK's largest mortgage lender, said house prices rose 0.3 of a percentage point last month.

Exchange information rules tightened

The London Stock Exchange yesterday issued new guidelines for industry regulators on the control of information which could affect the share prices of companies under their snpervision, *George Graham, Banking Correspondent, writes.*

Regulators have agreed to reduce to a minimum – normally no more than 24 hours – the period between giving sensitive information to a company and its advisers and releasing it publicly.

The need for clearer rules was highlighted last July when a row broke out over the leak of information about price controls planned hy Professor Stepheo Littlechild, head of the Office of Electricity Regulation, on regional electricity companies.

The Stock Exchange began an inquiry into share dealing after the leak, but officials said yesterday that they could not comment on whether it had been concluded.

The new guidelines would not have stopped the price controls leak, which caused chaos in electricity company share prices. Offer officials said they were already pre-releasing sensitive information to companies no more than 24 bours before publication, and giving information only to the chief executive of each company.

Some London stockbrokers said yesterday that only the simultaneous release of sensitive information to the companies and to the exchange could really guard against that kind of price manipulation.

Besides limiting the pre-release period for price-sensitive information, the regulators have agreed to make sure information is passed only to people who "need to know".

UK NEWS DIGEST

Accountants back US reforms

Leading UK accountants yesterday welcomed US reforms which reduced the burden of legal liability on auditors and urged the UK government to follow suit.

The reforms will add to pressure on the government to belp the big accountancy firms meet a growing threat from legal actions. The UK's Big Six firms and professional bodies bave been campaigning to reform the law of joint and several liability under which auditors can end up paying all the damages in a claim even if they are only partly to blame. The US law introduces proportional liability instead.

"We bave been saying to the government and the public that the UK is getting behind in these things," said Mr Bruce Picking, technical director at the Institute of Chartered Accountants in England and Wales. "We hope similar steps will be taken in the UK." The Law Commission is currently looking at the feasability of reform in the UK. Accountants also want auditors to be able negotiate a cap on their liability.

Jim Kelly, Accountancy Correspondent

Water chaos hits Britain

Hundreds of thousands of households throughout Britain were still without water last night as water companies struggled to mend burst mains revealed by the rapid thaw in temperatures following the Christmas freeze.

The crisis threatens further embarrassment to the water industry, already under pressure as a result of shortages caused by the summer's unusually hot weather and drought.

In the north-east of England alone, up to 100,000 properties were without supplies last night, and customers were forced to collect water from tankers being used as mobile reservoirs. In Scotland, up to 500,000 are believed to have been affected. Water companies last night denied that the problems were due to underinvestment. "If we had all new pipes, we would have had the same problem," they said. Unlike in colder countries, British water mains are buried just one metre under ground as soil rarely freezes below that level. In the US and Russia, however, pipes are generally 3 meters deep to account for the colder weather.

Peggy Hollinger

Capel begins market-making

James Capel, the London broker owned by HSBC Holdings, yesterday began market-making in 200 top UK stocks.

Although Capel has already acted as a market-maker in European shares, it had long been seen as the standard-bearer of agency stockbroking in London.

It was one of the few big stockbroking firms in the London stock exchange's 1986 Big Bang to bold out against the shift to market-making, in which dealers quote prices at which they are willing to buy and sell a stock.

Mr Bernard Asher, head of investment banking at HSBC, said the group was "not exactly going overboard about it" but added that market-making brought certain privileges and had a place in Capel's activities.

George Graham

Maxwell trial resumes

The Maxwell frand trial resumes today with the judge, Lord Justice Phillips, beginning his summing up. The judge is expected to finish his task early next week after which the jury will be sent out to consider its verdicts.

Mr Kevin Maxwell denies two charges of conspiring to defraud the Maxwell pension funds by using fund assets to raise money for the private Maxwell companies. Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, both deny a single conspiracy charge.

John Mason

Road test for natural gas truck

Perkins, the diesel engines subsidiary of Varity Corporation of the US, has launched what is claimed to be Europe's first natural-gas powered articulated heavy truck to enter commercial service, in partnership with UK truck maker ERF and BOC Distribution Services.

The 32.5 tonne "artic", built by ERF and using a new Perkins "lean-burn" engine, is entering service with Marks and Spencer delivering chilled food supplies to stores in the London area. Its performance and operating costs will be monitored before a decision on full commercial production of such trucks is made. Marks and Spencer has also been using a lighter gas-powered truck, with a smaller Perkins unit, on daily delivery work for the past 18 months.

Natural-gas powered trucks are increasingly seen as a potential way to cut exhaust pollution in urban areas compared with the diesel engines which power most large commercial vehicles. British Gas, an obvious proponent of natural gas nsage, already has a fleet of several hundred lighter vehicles converted to run on natural gas and is planning to open more refuelling outlets than the handful currently scattered across the UK.

Perkins claims that emissions of particulates – suspected of causing cancer – on its new engine are virtually non-existent compared with diesel engines while emissioos of nitrogen oxides are 60 per cent lower than required under tough new "Euro 2" emissions standards for trucks becoming effective during this year and next.

It was to encourage the use of such "clean" power units that the UK cut the tax on compressed natural gas and liquefied petroleum gas by 15 per cent in November 1995, while increasing that on diesel and petrol by above the rate of inflation. British Gas has been promoting the wider use of CNG in the UK.

John Griffiths

A warm future

The Baltic states are learning from western heating technology, writes Christopher Brown-Humes

Tartu in Estonia is being fast-forwarded to an environmentally friendly future by western technology – and its residents are getting better heating systems for the long, cold winter into the bargain.

Extensive programmes to cut heat loss, reduce energy consumption and convert boilers from fossil fuel to bio-fuels mean the town has a cheaper, cleaner, more efficieot and more reliable beating system than before.

"We feel we have joined the 21st century," says Enn Pernamäe, director of Tartu's Aardla boiler plant – now fed hy wood chips instead of oil – after the inefficiencies and waste of the Soviet era.

Aardla is one of more than 40 Baltic region projects relying on financial and technical assistance from Nutek, a Swedish public-sector organisation promoting technology and energy efficiency.

Nutek's aim is to improve energy efficiency in Estonia, Latvia and Lithuania (and, to a more limited extent, Ruseia and Poland) by working with municipalities and local companies to convert boilers and improve heat distribution and building standards.

The idea is to try to holster environmental protection by reconstructing boiler houses to operate wholly on local fuel, and reducing energy loss in residential houses and heating systems.

Other western organisations involved in similar projects include the World Bank and the European Bank for Reconstructioo and Development.

Among Swedish companiee involved in the work, Energiakonsult has provided technical skills, and KMW Energi has supplied equipment. Local companies have participated in the reconstruction of the boiler houses.

The two sides have contrasting motives. The Baltic states have an ohvious financial interest in cheaper fuel after a eurge in prices since their independence from the Soviet Union (where heating was eupplied at completely uncommercial rates) four years ago. An average Estonian can spend up to a third of his salary on heating.

The Swedes are more interested in helping the Baltic states cut their output of carboo dioxide as part of joint implementation arrangements, where one country can gain a credit for lowering the CO_2 outpnt of another. Both sides seem to be achieving their ohjectives. Ueing wood chips instead of oil has cut the fuel bills of some Baltic boiler plants by up to 50 per ceot.

Pernamäe says the Aardla conversion is cutting fuel costs by 2.1m Estonian crowns a year. Nutek, meanwhile, says its projects will cut CO_2 production by as much as 250,000 tonnes a year, as well as reducing output of sulphur dioxide and nitrous oxide.

The main idea is to use the savings from lower fuel costs to repay the loans advanced by Nutek to finance the improvements. But thet means that, initially at least, end-users are not generally getting lower heating bills.

"This is essentially a commercial operation," says Hans Nilsson, the head of Nntek's energy efficiency unit. Loans are granted hy Nutek to plant owners at Stockholm Interbank Offered Rates (currently ahout 8.65 per cent) and are repayable over 10 years, with a two-year period of grace. As security, Nutek gets guarantees from local municipalities and real estate as collateral. In one case in Latvia, the security is a municipal cinema.

Where Nutek believes its concept scores is in the wider benefits it offers. Residents might not be getting lower fuel bills, but they are getting better value for money – longer heating saasons, higher average room temperatures and hot water during the summer.

Benefits also include reduced wastage, better heat regulation and heating systems that last longer.

"We are aiming for better all-round quality. In the past, the way people cooled down was simply by opening the window," says Gudrun Knutsson, the programme's project leader.

Nutek's priorities are speed, affordability and reliability. It emphasises simple, tried-and-tested technology and cuts through red tape by keeping involvement with national governments to a minimum.

It also provides a consultant to assist the local project leader with implementation.

Significantly, there is no "buy Swedish" requirement attached to the loans, which not only benefits other international suppliers but also companies in the Baltic region, where costs are lower. Swedish companies are, nevertheless, winning a substantial number of contracts and are linking up with Baltic companies to boost business.

Nutek has committed SKr227.5m (£22m) to its Baltic energy projects and has recently been promised a further SKr50m from the Swedish government. The idea is that, as loans and interest are repaid, funds are recycled to new projects. However, Nutek does not expect to fully recoup its outlays, partly because of administrative costs and partly because it anticipates some defaults.

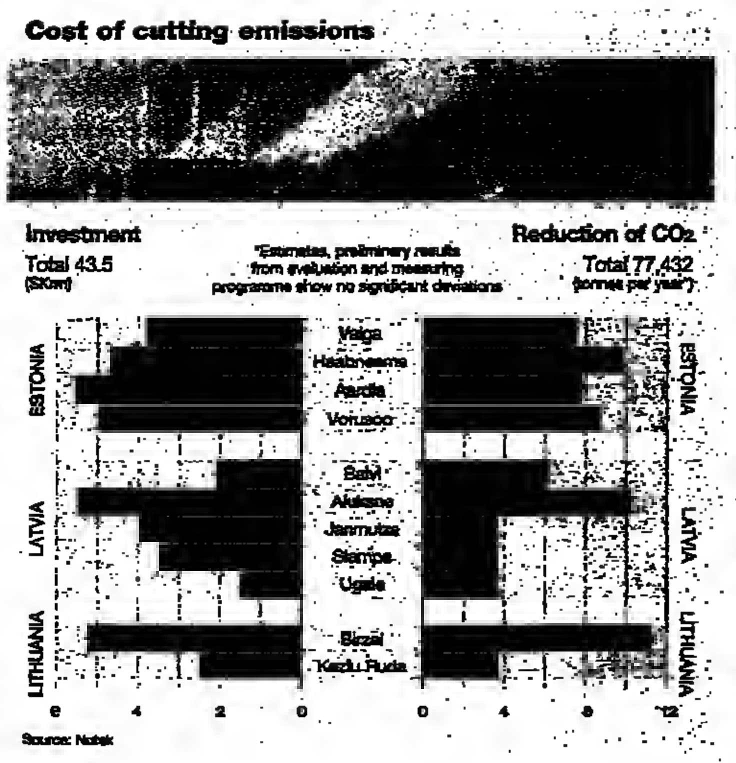
Not everything has gone smoothly. Some residents are not paying their fnel bills – because they are so high – meaning that plant owners are also finding the going tough. There are also questions of access to wood chips and prices. In Lithuania, for example, the state has a strong hand because it owns much of the forest. Middle men have also tried to drive up prices hy cornering supplies. Finally, there are continuing political and legal uncertainties which could undermine the valne of the securities and guarantees pledged.

Nutek says its model works particularly well in Baltic etates because they have ready access to wood and a strong desire to be more self-sufficient in energy and cut costly imports. It works less well in Poland, which is keen to support a substantial domestic coal industry.

But the Swedish organisation is not discouraged. Nilsson says there are many more projects needing to be financed.

Indeed, he is trying to promote a clearing house system that will bring potential financiers together with municipalities and local companies in eastern Europe to drive the process further.

Nutek's priorities are speed, affordability and reliability. It emphasises simple, tried-and-tested technology and cuts through red tape by keeping involvement with national governments to a minimum



Death in the warren

Nikki Tait on the escape of a virus meant to control Australian rabbits

Australia's human population may have been popping champagne corks on the beach over the holiday season. Its rabbit population has had less cause for celebration.

It is being threatened hy rabbit calicivirus disease (RCD) which "escaped" from Wardang Island off the South Australian coast in mid-October. The disease, which first surfaced in China a decade ago and subsequently spread through parts of Asia, Europe and north Africa, was brought into the country in small quantities by the large, government-owned Commonwealth Scientific and Industrial Research Organisation.

The Australian and New Zealand governments were interested in using the virus to control Australia's feral rabbit population, and had asked CSIRO to research its effects. Controlled laboratory trials had been completed, and scientists were working through the field trials when the disease "jumped" to the mainland.

Quite how RCD made the 4km crossing is unclear; the most innocent explanation is that it was carried by flies. In the last two months of 1995, more than 10m rabbits died. The rabbit population of the Flinders Ranges, South Australia, where RCD first took hold, was ravaged. Scientists estimated the drop at more than 95 per cent.

In a matter of weeks, the virus had also crossed the New South Wales border, and by mid-December Queensland had recorded its first confirmed case of calicivirus. Although the spread appears to have been slower through the arid lands to the east of Broken Hill, CSIRO says that this may be due partly to the lack of human habitation, and hence low reporting levels.

In any event, the spread has been sufficiently fast for New Zealand – which is battling a particularly serious rabbit problem on its South Island – to talk of accelerating remaining testing. A deliberate introduction is possible this year.

Australia, meanwhile, is trying to tot up the gains and losses from the inadvertent early release. Farmers, who have suffered ever since rabbits were introdnced into Australia in the mid-19th century, are anything but sorry. The rabbits' impact on Australian agriculture is put at hundreds of millions of dollars a year.

The likely effect on Australia's environment generally remains a matter of speculation. In the short term, there have been some reports of blowfly proliferation in virus-affected areas. (To a large extent, the sheer scale of the Australia outback means that carcases simply rot, although many rabbits die in warrens.)

In the longer term, there are hopes that, without rabbit damage, native plants and species will return. However, other experts worry that certain wild species – birds of prey, for example – will decline without rabbits as a food source.

One concern is whether there is any danger of the virus mutating and affecting other animals. CSIRO acknowledges that some members of one group of caliciviruses can infect several species, hut says that RCD belongs to another group and all the evidence is that it infects only one species. "There is no evidence that rabbit calicivirus has infected any animals other than European rabbits," says Keith Murray, head of the CSIRO's Australian Animal Health Laboratory.

But perhaps the most damaging effect has been to highlight debate over the country's protective standards. Australia's natural physical isolation and unique habitat make it vulnerable to imported "diseases", which then encounter no indigenous resistance. The "escape" of RCD was unkindly timed. A few weeks earlier, papaya fruitfly had surfaced in northern Queensland, having apparently eluded the quarantine net. This prompted Japan to halt mango imports, and led to the entire area being quarantined.

Shortly afterwards, alarms were raised when the destructive Formosan termite was found on a imported boat in Sydney's upmarket eastern suburbs.

An extended obsequy: Simon Callow as Purcell in John Osborne's 'England, My England'

Opera/**Richard Fairman**

An adventurous Luisa Miller

All eyes are on Opera North at the moment, although the company will not appreciate the reason why. Paul Daniel, music director, has been head-hunted by English National Opera and so far has failed to give a decision in public either way, merely stressing in judicious words how much he values his work in Leeds.

There are benefits from being in the driving seat of a compact and energetic company like Opera North. Daniel almost certainly has more direct control over what is going on than he would at a large concern like ENO and enjoys the pick of the rare repertoire that has given Opera North its reputation for adventure. Over Christmas a new production of Verdi's infrequently staged *Luisa Miller* demonstrated everything that makes his job worthwhile.

The foundation of the production's strength was to be found in the orchestra pit. Verdi's score – a not quite masterpiece, composed shortly before *Rigoletto* and *La traviata* – was played with splendid vitality and no less well sung by the chorus, demonstrating how conductor and musicians have been working at their Verdi to mutual advantage.

To complain that Daniel lacks idiomatic flexibility would seem ungenerous, when the younger generation of Italians has lost the tradition as well. Music and production alike made much of the opera's gradual ratcheting of intensity.

In the earlier acts Verdi is keen to show the characters against their social background, which is just the kind of issue present-day producers cannot resist. Tim Albery had the peasant family living in a toy hut, while the aristocracy were uncaring huntin'-'n'-fishin' snobs, who kept their noses as well as their rifles in the air. The grimly stark sets by Stewart Laing were dominated by a staircase which led up into the flies and out of sight – apparently symbolic of the climb that separates the lofty and the lowly in this socially divisive story.

Then, in the final act, Verdi draws in his focus to the young lovers and, fortunately, the production responds. Once rid of his heavy-handed treatment of the opera's politics, Albery does the decent thing and sets about bringing life to the relationships that are ultimately the main interest in *Luisa Miller*.

As in so many Verdi operas, the emotional burden rests on the shoulders of the father, here the Miller, a baritone like Rigoletto, Simon Boccanegra and others. Alan Opie turned the role into the central figure of the opera. It is a joy to hear a singer who does not just chop up Verdi's vocal lines into the same easily digestible pieces that everybody else does, but phrases with real care in his own individual way. He also avoided caricature, unlike Matthew Best's Colonel Blimp of a Walter or Clive Bayley's slimy, worm-like Wurm, both products of Albery's unsubtle imagination. Ethna Robinson was rather too slight a Duchess Federica.

The rôles of the two young lovers whose deaths form the final double tragedy are – all too appropriately – killers to sing. Working on its limited budget, Opera North must count itself fortunate to have secured the services of the soprano Susannah Glanville and the tenor Arthur Davies, even if she is short on Italianate warmth of tone and he was pressed to his limit in the most dramatic passages. They both did more than get round the notes (Davies shaped "Quando le sere" with thoughtful musicality); they both gave their best.

Opera North's audiences have some glorious, unfamiliar Verdi to look forward to, as long as they can bear this staging's aggressive visual style and quirks. Meanwhile, the company will be hoping that Paul Daniel is not about to climb that lofty staircase of ambition and disappear out of its grasp.

Further performances at the Grand Theatre, Leeds, on January 9 and 11; then on tour.

Alastair Muir

Giving their best: Susannah Glanville and Alan Opie

Television/**Antony Thorncroft**

More turkey over New Year

The television companies showed no sympathy for us pathetic misfits whose idea of a rollicking New Year's Eve was to watch the box. Why no heavyweight review of 1995; no optimistic address from our leader; no magic carpet ride to where they celebrate with some style? Yes, we did get to see some Scotsmen's knee-caps, but only after midnight, by which time Edinburgh's spectacular firework display had exploded into the ether.

The run up to the calendar shunt was pathetic – a choice on terrestrial channels of an Australian movie, *Strictly Ballroom*, a garish antidote to *Come Dancing*; a repeated Poirot mystery *Death in the Clouds*, which looked wonderful but played tediously; and a super-safe 1950's musical *South Pacific*, all bought-in old footage. Only BBC 2 spent energy and money, on a costly adaptation of a great Victorian classic, *Return of the Native*. No prizes for guessing which was the biggest coconut.

Nothing went right for the protagonists in Hardy's novel; nor for the director and cast of this deeply depressing production. It was pretty clear from the start that the Starkadders of Cold Comfort Farm lived just down the lane and belonged to the same village drama class.

Accents came and went, with Catherine Zeta Jones as the catastrophic catalyst Eustacia Vye sometimes veering as far west as Ireland; facial expressions ranged from shock to horror, with Celia Imrie carrying on seamlessly from her role in *Acorn Antiques*; the plot lurched from one momentous mishap to the next, carried along by Carl Davis's decidedly tragic music. Hardy dealt in primordial forces; director Jack Gold in emotional clichés. To cap it all Exmoor, so bleak and unforgiving, was substituted for Dorset. No wonder everyone looked disorientated.

Just before midnight the two intellectual channels decided to give time to the issue which has divided the nation all year – BBC 2 waved good bye to 1995 with Blur in performance, while Channel 4 paraded Oasis, the two pop bands whose rivalry was the PR coup of the year.

Whether by happy coincidence or inspired planning, it was a more structured finale than the old movie on ITV or Angus Deayton on BBC 1, creaking through contrived spontaneity with guests like Alexei Sayle and Maureen Lipman who, judging by their bleary responses, had celebrated Christmas not wisely but too well.

Perhaps they are on the Elvis Presley diet. Very little on television over the holiday period commanded attention, but Arena on BBC 2 came up with a winning formula on New Year's Day when it married two great contemporary passions of our age, pop music and food.

The Burger and the King traced the life of Elvis Presley not through his songs but his stomach. This provided a more sensible guide to his career than any course in media studies. Elvis never shook off his poor white roots, or the food of his youth.

He never ate in grand restaurants or anything fancy, like fish, and usually got by on fried peanut butter and banana sandwiches – and do remember to keep them submerged in butter fat for seven minutes. The result was inevitable, although the words of Elvis's undertaker "Mr Presley underwent his terminal event while he was on the commode", were perhaps less predictable.

A sad, funny, thoughtful programme, the silver sixpence among all the duff pudding.

★

How was your Christmas turkey? Turgid and unending, but highly seasoned in parts and with some quite chewable trimmings? You, too, feasted on *England, My England*, the deathbed tribute of John Osborne (abetted by Charles Wood) to Henry Purcell. It was impossible to get through this strong meat at one sitting so the old boiler was preserved (on video) and consumed in driblets over the holiday.

Thankfully, while Bennett lives England can lose Osborne and Stephens and still beat the world hands-down in loveable eccentrics

– Of course Purcell was just a melodious excuse. As Simon Callow admitted early on, virtually nothing is known about the great composer, so it was no surprise that he turned out to be just like Osborne, fond of a drink, a back-room philosopher on the state of the nation, but a patriot and a fierce enemy of European union.

Even Osborne blanched at having Purcell strike out at the European fishing policy so, sacrificing a coherent script, he allowed Callow twin roles – as a measured, melancholic Charles II and a splenetic modern actor planning a play about Purcell.

This double dating killed the drama stone dead, the heart sinking as we shifted abruptly from spicy Carolingian politics to the banalities of the Green Room, but the extras, the bits around the bird, were excellent – the choir, filmed in shadow, singing that heavenly music; the indelible scene of Queen Mary being cupped as she dies of small-pox; re-creations of Purcell's operas that suggested their initial overwhelming theatrical impact.

Under the exotic eye of director Tony Palmer we had baroque palaces and cathedral cloisters, the very essence of old England. We also had the antique glory of Robert Stephens, like Osborne, playing his final role, as John Dryden. Purcell wrote well for death so the whole programme was an extended obsequy, for English eccentrics and for England. It was a shock to see that it was part-filmed in Bulgaria; and a knock-out blow to discover that Osborne's rant from the grave should be part-funded by the EU.

Purcell is buried in the work place, in Westminster Abbey, and his sculpted memorial featured in Alan Bennett's lengthy, three part, meander around what in ecclesiastical circles is known as a "peculiar," a church outside the control of any bishop – very like Bennett, in fact. With his dubious expression and eavesdropping incline, Bennett wandered around the tombs of the national mausoleum like a clerical floor walker.

There can be no more agreeably gossipy guide as he told, sometimes with ridiculous exaggeration, stories of death and decay. He turned the Abbey into a five-star eternal hotel, old grievances quite forgotten among the gilded tombs and dynastic vaults: Queen Elizabeth lies firmly on top of her sister Mary, who thought of killing her, and within talking distance of Mary, Queen of Scots, who she, in turn, managed to kill.

The Abbey proves that time is the great healer. The programmes meandered – we could have done without the choir boys and the monumental masons – but, thankfully, while Bennett lives England can lose Osborne and Stephens and still beat the world hands-down in loveable eccentrics.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Nancy Argenta: accompanied by pianist Kelvin Grout. The soprano performs songs by Haydn, Schubert, Chabrier, R. Strauss, Green, Rorem, Ives, Musto, Hundley and Holby; 8.15pm; Jan 5

EXHIBITION
Stedelijk Museum Tel: 31-20-57329
● Emmy Andriesse - fotografie: retrospective exhibition of work by the Dutch photographer Emmy Andriesse (1914-1953), particularly known for the photographs she made in Amsterdam in the winter of 1944-45. The display includes fashion photographs, portraits of artists, and photographs Andriesse made while travelling in Europe during the last project she worked on; to Jan 14

■ BERLIN

DANCE
Staatsoper unter den Linden
Tel: 49-30-2082861
● Don Quixote: a choreography by Patrice Bart after Marius Petipa to music by Ludwig Minkus, performed by the Ballett unter den Linden. Soloists include Oliver Matz and Steffi Scherzer; 7pm; Jan 5

OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● La Bohème: by Puccini. Conducted by Shao-Chia Lü and performed by the Komische Oper. Soloists include Tatjana Kolovina, Sabine Passow, Donald George and Kasten Mewes; 7.30pm; Jan 5

THEATRE
Theater am Kurfürstendamm
Tel: 49-30-8813020
● Der Kaiser vom Alexanderplatz: by Horst Pillau. Directed by Klaus Gendries. The cast includes Walter Plathe, Madeleine Lierk-Wien, Victoria Sturm, Alexander Wikarski and Martin Kluge; 8pm, Sun 6pm; from Jan 6 to Mar 17

■ BRUSSELS

CONCERT
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Roberto Scandiuzzi: accompanied by pianist Enzo Ferrari. The bass performs songs by Caldara, Gluck, Scarlatti and Martini; 8pm; Jan 5

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● The Sleeping Beauty: a choreography by Helgi Tomasson after Marius Petipa to music by Tchaikovsky, performed by the Royal Danish Ballet. Soloists include Lesley Culver, Thomas Lund and Silja Schandorff; 8pm; Jan 4

■ DETROIT

EXHIBITION
The Detroit Institute of Arts
Tel: 1-313-833-7963
● Romancing the American Frontier: exhibition of paintings and sculptures from the museum's collection showing the romantic vision of the American frontier. The display includes works by the American artists Albert Bierstadt, George Caleb Bingham, John Gutzon Borglum and Jervis MacEntree; from Jan 10 to Apr 7

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Un Ballo in Maschera: by Verdi. Conducted by Ingo Metzmacher and performed by the Sächsische Staatsoper Dresden. Soloists include Mario Malagnini, Dimitri Kharitonov and Soja Smoljaninova; 7pm; Jan 3, 6

■ GENOA

DANCE
Teatro Carlo Felice
Tel: 39-10-5381226
● Carmen: a choreography by Antonio Gades to music by Bizet, performed by the Compagnia di Balletto Antonio Gades; 9pm; Jan 4, 5, 6 (4pm), 7 (3.30pm)

■ GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● Janis Ian with Carol Laula: perform new material from Janis Ian's new album "Revenge"; 7.30pm; Jan 10

■ HAMBURG

CONCERT
Musikhalle Tel: 49-40-346920
● Duo-Abend: Gabriele Rossmanith and Klaus Häger, accompanied by pianist Carola Theill, perform songs by Johannes Brahms; 8pm; Jan 6

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● La Traviata: by Verdi. Conducted by Michael Halász and performed by the Hamburg Oper. Soloists include Maureen O'Flynn, César Hernández and Elke Wilm Schulte; 7.30pm; Jan 4, 6

■ HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Die Fledermaus: by J. Strauss. Conducted by Ari Angervo and performed by the Finnish National Opera. Soloists include Jukka Salminen, Riitta-Liisa Korhonen and Pekka Kähkönen; 7pm; Jan 4

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● The Britten Songs: counter-tenor Michael Chance, tenor Adrian Thompson, bass Paul Robinson, accompanied by pianist Julius Drake, perform songs by Purcell, Britten and Wolf (6pm). In the same series soprano Joan Rodgers and pianist Malcolm Martineau perform works by Purcell, Britten, Tchaikovsky, Mussorgsky and Shostakovich (8pm); 6pm & 8pm; Jan 9

DANCE
Royal Festival Hall
Tel: 44-171-9604242
● The Nutcracker: ballet to music by Tchaikovsky, performed by the English National Ballet; 2.30pm & 7.30pm; Jan 6

Royal Opera House - Covent Garden Tel: 44-171-3044000
● The Royal Ballet: perform two choreographies by its founder Frederick Ashton: "Les Patineurs", to music by Meyerbeer, and "Tales of Beatrix Potter" to music by John Lanchbery; 7.30pm; Jan 5, 6

OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Turandot: by Puccini. Conducted by Noel Davies and performed by the English National Opera. Soloists include Janice Cairns, Edmund Barham and Janice Watson; 7.30pm; Jan 5

■ MUNICH

OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Hänsel und Gretel: by Humperdinck. Conducted by Heinrich Bender and performed by the Bayerische Staatsoper. Soloists include Ekkehard Wlaschiha, Marita Knobel and Silvia Fichtl; 7.30pm; Jan 5

■ NEW YORK

OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Die Fledermaus: by J. Strauss. Conducted by Hermann Michael and performed by the Metropolitan Opera. Soloists include Cynthia Lawrence, Janet Williams, Jochen Kowalski, Neil Rosenshein, Thomas Allen, David Malis, François Loup and Dom DeLuise; 8pm; Jan 4, 6

■ PARIS

OPERA & OPERETTA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● La Bohème: by Puccini. Conducted by Louis Langrée and performed by the Opéra National de Paris. Soloists include Roberto Alagna, Franck Leguérinel, Leontina Vaduva and Jules Bastin; 7.30pm; Jan 5

■ STOCKHOLM

OPERA & OPERETTA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Madama Butterfly: by Puccini. Conducted by Muhai Tang and performed by the Royal Opera Stockholm. Soloists include Inger Blom and Karina Morling; 7.30pm; Jan 5

■ TORONTO

THEATRE
Bluma Appel Theatre
Tel: 1-416-366-3110
● Later Life: by A.R. Gurney. Directed by Bob Baker. The cast includes Nicole Cavendish, Robert Haley, Sheila Moore and Tom Wood; 8pm; from Jan 4 to Feb 3 (not Sun)

WORLD SERVICE
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10.00 *European Money Wheel* Nonstop live coverage until 14.00 of European business and the financial markets
17.30 *Financial Times Business Tonight*
Midnight *Financial Times Business Tonight*

هكذا من الاصل

Edward Mortimer

An identity crisis

Ethnic nationalism, rather than political Islam, has become the greatest threat to the peaceful development of Turkey

"Turkey is like Italy." That was the opening sentence of an article I wrote 16 years ago. Both countries then suffered from a permanent economic crisis, which was never quite as bad as official figures suggested; from endemic terrorism; and from chronically unstable governments. Both had sought to free themselves from backwardness through integration with Europe, and in both the results had brought disillusionment. Both seemed (I wrote) "to be heading for an unspecified 'disaster' which somehow recedes before them through the fog, as if unable to assume a clearly recognisable shape. Instead, things just continue getting gradually worse."

Since then, both countries have been through upheaval. In Turkey a military coup led to a new constitution and the emergence of a new leader, Turgut Ozal, who presided over a rapid liberalisation of the economy and began a more tentative questioning of the state's underlying Atatürkist consensus. In Italy similarly radical change had to await the end of the cold war. This led to the collapse of the parties that had dominated and exploited the post-war state; an erosion of the anti-fascist consensus which had held that state together; a change in the electoral system; and the rise of Silvio Berlusconi, whose power was based on media ownership not party organisation.

Yet in both countries there are now signs of a regression to the norm. Ozal died in 1993, and Turkish politics is now again dominated by figures from the 1970s: Süleyman Demirel on the right, Bülent Ecevit on the left, Necmettin Erbakan as leader of the neo-Islamists. Berlusconi is still around, but his spell has been broken. He no longer demands immediate elections as a way of regaining power, but is trying to negotiate the kind of inter-party stitch-up that characterised the old regime.

The big difference is that Turkish politics has become more interesting, and Italian politics less interesting, to the outside world. In the mid-1970s alarm bells rang in Washington when it seemed Italy's communists were about to achieve the *sorpasso* - overtaking the Christian Democrats to become the largest party - or to negotiate their way into government through a "historic compromise". But no one worried then about Erbakan's membership of various Turkish governments. Today, few people outside Italy would worry about a victory for the post-communist left, whereas the emergence of Erbakan's Refah (welfare) party as the largest in Turkey's new parliament has provoked nail-biting in the US and western Europe.

Erbakan might not like to be called a "Euro-Islamist", since one of his objectives is to switch the emphasis of foreign policy away from Europe towards neighbouring Moslem countries in Asia and Africa. But his politics stand in roughly the same relation to those of Iranian mullahs or Algerian militants as did the "Eurocommunism" of Enrico Berlinguer, the Italian communist leader in the 1970s, to full-blooded Soviet dogma.

Erbakan insists that in government his party would be democratic and non-violent - as it has been in opposition.

Several of the Kurdish deputies are still in prison for crimes of opinion, and have taken their case to the European Court of Human Rights

He claims to want more freedom, not less. Religion should neither control the state nor be controlled by it.

One might compare these positions to the Italian communists' insistence, in the 1970s, that they would reduce the public sector, not increase it. Like them, Refah benefits from its relatively honest and efficient record in local government, and from its effective organisation and provision of social services at grass-roots level in impoverished and overcrowded areas of big cities. Like them it attracts support from many people who care little for its ideology, simply because it appears the only serious alternative to the corruption and obscure internecine rivalries of the parties in power. Like them, too, it seeks to reassure by offering compromise and coalition with the parties in power rather than a clean break.

So far it has found no takers. No leader of Turkey's secular parties has tried to exploit and build on Erbakan's moderation, as the Italian Christian Democrat Aldo Moro did with Berlinguer, drawing him into the system and getting him to share responsibility for unpopular decisions. Instead the secular parties are closing ranks to keep Erbakan out - a tactic which will almost certainly benefit him.

Meanwhile, Turkey's real problems will almost certainly continue to get worse. Even if the promised coalition of the two conservative parties is formed, it will have great difficulty in taking any bold economic decisions, especially those which involve reduction of the bloated and inefficient public sector. Such decisions involving the loss of jobs would not only help Erbakan win new supporters but would be opposed by the two left-wing parties, at least one of which will be needed to give the new government a parliamentary majority.

Perhaps even more seriously, a weak and divided government is unlikely to take the bold decisions required to end the war in the south-east, by giving Kurds a real possibility of expressing their national identity within the Turkish political system. In the last parliament Tansu Çiller, the prime minister, succeeded in distracting attention from her economic failures by mobilising public opinion against the "terrorism" of the Kurdistan Workers' Party (PKK), and in particular by lifting the parliamentary immunity of Kurdish deputies who were accused of acting as PKK spokesmen. She also put pressure on west European governments to close down Med-TV, the Kurdish satellite television station which broadcasts from abroad.

Happily this pressure has so far been unsuccessful, but several west European banks, legal firms and other companies have refused to work with Med-TV, apparently for fear of alienating the Turkish authorities. Several of the Kurdish deputies are still in prison for crimes of opinion, and have taken their case to the European Court of Human Rights. In the new parliament Kurdish nationalists have been excluded altogether, even though they won the largest number of votes in four south-eastern provinces, because their party fell short of the 10 per cent threshold.

This hardly bodes well for civil peace. The great risk is that ethnic conflict will spread to the big cities of western Turkey. There is no way that Kurds and Turks could be separated physically, except by violence on a Yugoslav scale. That is the direction in which rival nationalisms are now pointing. As the historian David McDowall suggests, in a study to be published this month*, the two peoples' best hope of avoiding this nightmare lies in a redefinition of both national identities, giving due weight to their common Islamic heritage.

**A Modern History of the Kurds. I.B. Tauris, £24.50*

The difficult balancing act

The German economy is unlikely to come storming back this year, forecasts Klaus Friedrich

Suddenly we find ourselves with just three years left before the start - according to binding international treaty - of economic and monetary union in Europe.

The crucial decisions on who is to join Emu are due in two years, and these decisions will be based on the economic record of 1997, a year from now.

No wonder, then, that the Maastricht agenda dominates German economic policy. Growth is sluggish, unemployment is high and there is very little by way of easier monetary or fiscal policy that may be safely administered under present circumstances.

In the fiscal area, Germany is manoeuvring ever so closely to a budget deficit of 3 per cent of gross domestic product, which serves as the upper limit permissible for Emu membership. While the language of the Maastricht treaty leaves some room for interpretation as to the precise level of permissible deficits, the German government has left no doubt of its insistence on stringent interpretation for all Emu candidates.

In view of the widespread scepticism about Emu among German voters, this aggressive stance on fiscal convergence makes good sense. But it commits German fiscal policy to a difficult balancing act: it must be tight enough for Maastricht, but not so tight as to risk recession. Taxes are already too high in Germany. In other words, fiscal options are very limited.

On the monetary side, the Bundesbank has brought interest rates down to a level consistent with the present state of the German economy. Whatever stimulus the lower interest rates will provide is already contained in their present level. With the discount rate at 3 per cent and inflation at 2 per cent, there is little room for further monetary easing.

This constrained policy environment hardly suggests that Germany will come roaring out of the doldrums this year or in the foreseeable future. In fact, German economists have recently gone through several rounds of lowering growth forecasts for 1996 to 1.7 per cent for western Germany and 2 per cent for all of Germany.

Even this paltry performance still signals improvement relative to last year, which ended with disappointing west German growth of 1.4 per cent.

In contrast to the usual model, in which exports lead German cyclical upswings, the bets this time are on domestic private consumption spending. Thanks mainly to a Constitutional Court decision raising the tax-exempt income limit, real disposable income will increase by 3 per cent this year. This assumes that no new taxes will be added.

Exports, the traditional engine of German economic growth, are losing power. They are simply becoming too expensive. High labour costs remain competitive only as long as relative productivity remains high. Other countries are catching up in terms of productivity while their labour costs remain lower. This question of German competitiveness is further highlighted by the upward drift of the D-Mark.

The worldwide decline in inflation tends to work against German exporters: in the old days, inflation in the depreciating currency could be counted on to eat up the temporary gain in competitiveness from nominal depreciation. After a while, the real exchange rate was thus restored to its old level. Today, with less inflation in, for example, the UK, nominal appreciation of the D-Mark remains real appreciation. Last year, the D-Mark appreciated on a trade-weighted, inflation-adjusted basis by 5 per cent.

One answer to unwanted D-Mark appreciation is, of course, Emu. Industrialists, according to a recent survey by the German Trade and Industry Association, are much less adamant in their rejection of Emu than the general public is. With one-third of their output being exported, German producers are looking for relief from the unrelenting rise of the D-Mark.

They have seen that volatility in the exchange markets, usually caused by Europhobia these days, leaves the D-Mark higher after the smoke clears. Further such episodes would follow if the preparations for Emu were to be thrown off track, a major risk for the German economy.

Yet for all the noise and scepticism in the media, the markets expect Emu. How else could a big strike in France - a clear political challenge to the French government - remain all but ignored by currency speculators?

But the question of jobs and income security raised in the French strike is a valid European concern. It was also recently addressed by a German union leader in an offer to trade wage moderation for additional jobs. Europe has only 3 per cent inflation but nearly 20m unemployed. Yet virtually the entire European debate is focused on price stability - even though we already have it.

Low inflation is not a cyclical, European phenomenon, but structural and worldwide, resulting from globalisation, liberalisation and increased competition.

Does this mean that we can throw caution to the wind and ignore the Maastricht fiscal criteria? Certainly not.

What we should do, however, is employ fiscal retrenchment with an eye on incentive-creating tax reform. The ever-increasing share of the public sector in our economy has crowded out the market and makes it difficult to respond to the problem of unemployment.

The German system of wage determination has to be decentralised as much as possible, but action so far has been half-hearted. Labour arrangements should be flexible enough to allow optimal use of the capital stock.

The most obviously underused capital stock in Germany is its retail shops. Their business hours are substantially limited by a law, which was originally intended to protect employees against abuses. A recent study shows that abolition of the law would create many new jobs. The government has moved to extend opening hours under the law, but shied away from abolition.

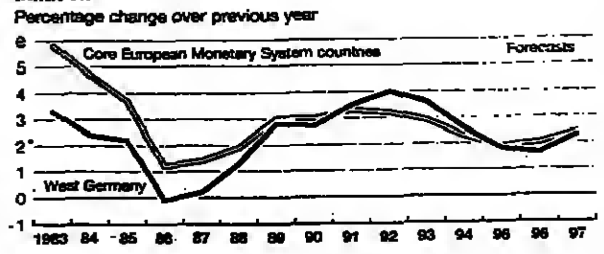
This sort of compromise shows that structural reform is not yet recognised as our only remaining policy option.

The author is chief economist of Dresdner Bank

Germany

Inflation

Percentage change over previous year



GDP and expenditure

Percentage change, 1991 prices	1994	1995	1996
GDP	2.9	1.8	2.0
GDP (west)	2.4	1.4	1.7
GDP (east)	8.5	6.0	5.0
Private consumption	0.8	1.3	2.4
Government spending	1.2	1.9	1.0
Machinery/equipment	-1.2	1.3	2.4
Construction	7.8	0.9	0.7
Exports	7.5	2.8	3.4
Imports	7.1	2.3	3.7

Source: Dresdner Bank

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Doubts over Emu reflected in Waigel comments

From Mr Peter Frankel.

Sir, The statement by Mr Theo Waigel, the German finance minister, that any member not meeting fiscal targets once they have joined the monetary union could be ousted, is a distortion of reality ("Waigel issues strict line on Emu discipline", December 30/31). So is the reason for the statement that the D-Mark would not be weakened by the creation of the economic union which must precede the single currency.

Those who believe that the D-Mark would diminish in strength if it joins with other currencies in a monetary union followed by a single currency are, of course, absolutely correct. Holders of D-Marks will be poorer in real terms when they have been forced to accept Euros in exchange for their currency because of the mixture with weaker currencies even under the joining conditions. Could this be the reason for the reported transfers of billions of D-Marks to Switzerland and other safe havens?

Under the Maastricht treaty those who have been accepted must deliver their foreign currency reserves to the Central Bank in Frankfurt. Therefore, they will be unable to formulate their own fiscal policies. The blame for any failure would rest on the non-elected members of the Central Bank board. On these grounds alone Mr Waigel's threat is quite ludicrous.

How does he imagine, even if he were right, that he could oust any member country from an economic union? The Maastricht treaty does not allow it and his sudden discovery of principles of international law would not be applicable. Or does Mr Waigel perhaps want to invoke the German Constitutional Court decision of October 1993 which virtually gives Germany an opt out? The secrecy surrounding this is quite remarkable.

Mr Waigel's outburst is just further evidence of the growing doubts everywhere of the whole Emu concept. The quicker it is set aside and forgotten the better it will be for the close working relationship between European independent nations.

Peter Frankel,
"Elmstead", Chapel Road,
Limpsfield Common,
Surrey RH8 0SX, UK

Political point

From Prof Asim Erdilek.

Sir, In your December 26 editorial "Bleak outlook for Turkey", assessing the results of the December 24 parliamentary election, you missed an important point. Turkish voters punished, with smaller shares of the total vote since the 1991 election, all three parties - the True Path and the Motherland on the right, and the Republican People's party on the left - responsible for the country's economic mess since the late 1980s, and rewarded, with larger shares, the Welfare party on the right and the Democratic Left party on the left, untainted with that mess.

Who can blame the voters for that?

Asim Erdilek,
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Cleveland, OH 44106-7206 US

Trivial pursuits on regulated Internet

From Dr R.J. Bird.

Sir, The news that CompuServe has suspended access to 200 Internet news groups ("Internet groups suspended over pornography fears", December 29), coupled with the moves in the US Congress to impose restrictions on the Internet, are moves towards limiting the use of the Internet for communicating information. So far the Internet has provided a powerful means of communication of information and as such represents one of the few truly global unifying influences as well as an unprecedented advance in academic communication and discussion. However, the implication of these moves is that both these roles may soon be curtailed.

Significantly, the reasons given in both cases for limiting Internet use are centred around child pornography. It is apparent that the approach which is most likely to succeed in limiting activities for whatever purpose is one based on the current bogeyman: in this case child pornography, though evidence is lacking that material on the Internet has played any part in criminal behaviour, recently discussed cases being very much to the point. In the US the aim of Congress legislation would be to prevent the use of the Internet for any material which might offend a child, which would include any material incomprehensible to a child. The effect would be to prevent all but trivial information from being passed between people over the Internet.

The question then arises of what purpose a censored and regulated internet might serve. It would be unsuitable for academic interchange or for free communication between citizens, but would be suitable for commercial exploitation especially by advertising, for which ironically young people and children would be an especial target.

If we consider the history of television we can see that it is increasingly sustained by commercial means and at the same time has become ever less suitable as a medium for the communication of information. If the same fate is not to overtake the Internet we must keep clearly in mind the function of information as a public good in society and the equally important and deleterious effects of the disabling of a potential information medium. It will then be clearly apparent that the interests which will be served by the moves to limit freedom of information on the Internet currently being initiated are those of commercial gain and not the social good.

R.J. Bird,
50 Highbury,
Jesmond,
Newcastle upon Tyne, UK

UK taxpayer will end up funding profitable rail services

From Mr Bill Bradshaw.

Sir, Lex states ("UK rail privatisation", December 21) that UK rail privatisation will mean lower subsidies. This comment is no doubt based on press releases from the franchise director and ministerial statements. But the figures do not reflect the facts. In the last year (1993-94) that BR was responsible for the three services which have just been franchised these were almost certainly operated without public subsidy and probably made a useful profit.

It is difficult to be precise because the BR accounts do not divide InterCity or the former Network Southeast into individual service groups but it is well known among railway commentators that South West Trains, LTS and Great Western were good performers and that, taken as a whole, neither BR's InterCity nor Network Southeast services received revenue subsidies in that year.

It is almost certain that not only are the three franchisees going to be paid £140m in the first year of operation to provide services which were previously provided without cost to the taxpayer but that any advantages which the new owners may bring by way of investment could just as well have been funded from the huge legal and other costs arising from this most complicated privatisation.

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FINANCIAL TIMES

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Wednesday January 3 1996

The agenda for world trade

There are few more striking measures of the pace of global economic integration than the buoyancy of world trade. The World Trade Organisation estimates that export volumes grew 8 per cent last year, after a 9.5 per cent rise in 1994. That was three times faster than economic output. Sustained since the mid-1980s, this ratio is wider than in any decade in the past half century.

The rapid growth of trade, and the keener competition it promotes, is to be celebrated. It adds to prosperity by stimulating efficient and productive use of resources. It also underpins international security: when goods cross borders, troops are less likely to. But most encouraging of all is what recent trends say about government attitudes.

Despite a recession in the industrialised world in the early 1990s, trade continued to increase and markets remained open. Equally important is the sea-change in poorer countries, notably in Asia and Latin America. After years of sheltering their economies, many are now intent on liberalisation and reform. Increasingly, isolation from the global economy is being rejected in favour of engagement. That does not mean that protectionism is a dead letter. But its intellectual credibility as a basis for policy has been severely undermined.

What, now, should be the priorities for trade policy? The most pressing is to ensure that liberalisation maximises economic welfare. Some believe regional arrangements are the way forward. Yet that faith seems unjustified by the record of such ventures as the Asia Pacific Economic Co-operation forum and the western hemispheric trade scheme.

Realistic timetable

Sensibly handled, regionalism may complement multilateralism. But it is no alternative. An increasingly close-knit global economy needs global rules. These can be developed and enforced effectively only by strengthening the WTO. That endeavour, however, needs to take account of important new challenges facing the multilateral system.

One is the need speedily to integrate China. That undertaking will require far greater acceptance by Beijing of external policy disciplines, and a realistic timetable for adjusting to them. Getting the terms right is vital to the success of China's reforms and global economic stability.

The second big challenge is to fill the vacuum created by the – probably unavoidable – decline of US leadership of the world trade system. Failure clearly to re-define US trade policy has left it wavering unpredictably between aggressive bilateralism and multilateralism.

Economic enemies

As a superpower, the US needs to recognise that it benefits from strong global rules, and that treating political allies – such as Japan – as economic enemies damages its own interests. But if other governments want the US to re-engage in the multilateral system, then at the same time they must also become more active in upholding its principles.

The EU set an encouraging example last year by rescuing the WTO financial services talks and condemning US tactics in the Japan cars dispute. But Europe's free trade credentials will remain shaky while its car market is still protected, its farm trade policy grotesquely distortionary and much of its utilities sector closed to competition.

Japan and other advanced Asian economies, such as Korea, which have long pursued export-led economic policies, also need to open their own markets more boldly. As well as removing remaining border barriers, they should concentrate on regulatory obstacles to free competition, particularly in services. Such reforms are, in any case, essential to continued competitiveness and growth.

The importance of these challenges is thrown into sharper relief by the WTO's first ministerial conference in December, which will play a critical role in entrenching the new institution's authority and setting an agenda for further liberalisation.

More than ever before, that task – and the maintenance of the multilateral system – requires a truly collective effort. It is in the interest of every WTO member to make the necessary commitment.

A European equity market

Despite a difficult and protracted birth, the European Union's investment services directive, which took effect yesterday, promises to bring about a significant measure of liberalisation across European markets. That is certainly true of the proposals permitting 'remote access' trading, whereby securities firms can operate away from home through screen-based dealing systems without having to establish a presence on the ground in the host country. The reform is an important step towards the integration of the European equity market. But it also raises difficult questions for established exchanges.

Much of the argument for liberalising the London Stock Exchange at the time of the Big Bang in 1986 rested on the need to avoid fragmentation in equity trading. Yet the growth of cross-border business, together with the arrival of alternative dealing technologies, has made fragmentation a fact of life. The precise whereabouts of the market is increasingly difficult to identify. But with sophisticated technology, the integrity of prices is not necessarily impaired provided there is transparency. As long as people have constant access to a continually updated reference price for any given security, liquidity remains available even if there is no identifiable central market.

Trend underlined

This fragmentation really has any meaning today, it is more to do with the vulnerability of institutions than any threat to the process whereby securities are priced. London's Seaq International dealing system is an obvious loser from the directive. Yet this is not a surprise: its pre-eminent position in European equities was always fragile, since it rested on the continuation of uncompetitive dealing practices and costs in other financial centres. From the moment the continental European exchanges started to emulate London's Big Bang, a loss of market share was inevitable. The latest European change merely underlines a trend for business to originate in local markets, while much of the marketmaking stays in London.

Seaq International's loss is anyway not a direct loss to London. The business will still be carried out by dealers in the City, although it will be booked and supervised through a system carrying another national label. Yet the growth in cross-border competition could pose a threat to London's competitive edge in future.

Benefits eroded

One of the reasons traditionally advanced to explain market practitioners' habit of clustering together in large financial centres was that close proximity permitted a more speedy dissemination of information and reduction of risk. With today's globe-shrinking technology and low dealing costs available 24 hours a day, this looks more dubious. The benefits of incumbency – being in the pole position – may have eroded.

That said, skills remain a vital determinant of how financial services activity is distributed across the European time zone. The strength of London's financial and business services in greater London is the same as the whole population of Frankfurt. Financial skills are acknowledged to be in shorter supply in Paris than London.

Complacency is a serious risk for London, with its numerous natural advantages including time zone and the English language. Any serious loss of competitive edge would break the virtuous circle whereby our centre provides a continuing incentive for investment in infrastructure. Yet the City itself is not standing still. Yesterday saw the gilt market move closer to the international dealing norm, with the introduction of a repo market. The settlement system in equities is at last being upgraded.

The threat stems rather from the politicians. Excessive regulation, perhaps arising from lack of vigilance by the UK in Brussels, or tax changes that alienate foreigners, could quickly put London out of the game. It should not be forgotten that the City's postwar role in international finance grew not from native economic strength, but from over-regulation in New York and Tokyo.

Stalled at the new frontier

Foreign investors are frustrated at the contradictory political forces that are blocking progress in Vietnam, says **Kieran Cooke**

When Vietnam accelerated its doi moi or economic "renovation" policy in the early 1990s, foreigners rushed to seize opportunities in what was seen as Asia's most promising new investment frontier.

But the early euphoria has disappeared. Many have been left peering into the dust cloud of the foreign stampede, wondering when they will see a return on their investments. A shake-out is coming.

"Many foreigners had unrealistic expectations about Vietnam," says Mr Jurg Vontobel, Vietnam manager of ING Bank of the Netherlands. "In the banking sector more than 60 foreign banks have been given licences to open some form of operation here when there is business to support only about 15 financial institutions. It's likely many will be leaving soon."

A number of highly publicised withdrawals last year dented Vietnam's image as a foreign investment El Dorado. Total of France abandoned a $1.2bn refinery project over arguments with the government about the siting of the facility. The Australian unit of the P&O group withdrew from a port project in Ho Chi Minh City, the former Saigon, after negotiations became deadlocked for nearly a year. Other investors in smaller projects have packed their bags, frustrated at bureaucratic delays and often contradictory government edicts.

Official figures on inward investment are impressive. According to the State Committee for Co-operation and Investment, more than $17bn of foreign investment has been approved in nearly 1,500 projects over the past six years. There is, however, a glaring gap between approval and implementation: it is estimated that only about 20 per cent of the projects have been started.

Much of the investment so far has concentrated on the hotels and office property sectors, catering mainly to foreign business people. "There are a lot of foreign companies here with very little to do," says a Hanoi-based foreign executive. "They are paying office rents higher than London or Paris. People back at headquarters are beginning to ask when the pay-off for all this is going to come."

Analysts of Vietnam's recent economic development see contradictory forces at work. In some respects the country has raced to embrace the market economy with a speed and zeal rarely seen in other parts of the world. Billboards advertising western products are everywhere. Capitalism is raw, alive and well on the streets of Ho Chi Minh City and Hanoi.

Yet at the same time some senior figures in the ruling Communist party, backed up by officials in the powerful bureaucracy, remain deeply suspicious of outside influences and seek to perpetuate a system of state control.

Free-marketeers have applauded as import barriers have been lowered or abolished on many goods. Competition has been thrown open in several areas. In the automobile sector 11 foreign car companies have been granted manufacturing licences.

But the average annual per capita income in Vietnam is still only just over $200, one of the lowest figures in the world. In 1994 fewer than 5,000 cars were sold in the country. The four car manufacturers already in production have difficulty selling their output and there is certain to be plenty of financial pain before any company in the vehicle sector makes a substantial profit.

Sanofi, the French pharmaceuticals company, has invested $9m in a manufacturing facility outside Ho Chi Minh City – the first such plant since the reunification of Vietnam in the mid-1970s. Now it finds its domestically produced goods undercut by cheap imports. Mr Patrice Descorps, Sanofi's Vietnam manager, says the country has moved from one extreme to another.

"Three years ago no one expected such a dramatic change. Then there were strict price and import controls. Now there are no import restrictions, no price controls, no regulations. It is e complete free-for-all, like nowhere else in the world." Mr Descorps hopes the anthorities will eventually realise there must be some form of control if the domestic pharmaceutical industry is to survive.

Foreign investors are not the only ones being hurt by this mayhem in the marketplace. Mrs Nguyen Thi Mai Thanh runs the Ree company, which specialises in the installation of refrigeration equipment and electrical contracting. In late 1993 Ree became the first company in Vietnam to offer a minority stake to outside investors in a process the government, anxious not to offend Marxist principles, coyly describes as "equitisation" rather than privatisation. The company is now considering a $15m joint-venture manufacturing project with Carrier of the US to make air conditioners.

"We need protection to grow but the government has already granted licences to two other manufacturers," says Mrs Thanh. "Domestic companies have other problems. Our margins are very low. We have a big problem with bad debts. Borrowing charges are high. It is even harder for us than for the foreign firms."

Yet while there is a rush to the open market and competition in some sectors, the bulk of the economy still remains within state control. Only three of an estimated 6,000 public concerns have so far been sold. Many of the state's domestic banks, which dominate the financial sector, have not been adequately audited for years but are known to have accumulated bad debts and are unable to harness funds for development. The formation of a proper capital market is still some way off: a stock exchange is unlikely to be opened before the end of next year.

"Vietnam has a serious case of indigestion," says one foreign fund manager. "There is about $400m in foreign funds, plus several hundred million in various private ventures, ready for investing in the country. But it can't be absorbed. The system is just not ready for it."

Mr Vo Van Kiet, prime minister, is determined to speed up the reforms. "Our capital markets are still too primitive," Mr Kiet told the National Assembly in October. "We have been too slow in the equitisation of state companies as well as in the establishment of a stock market. To perpetuate this situation is to perpetuate the backward and ineffective nature of the economy."

In an effort to shake up the administration, Mr Kiet also managed to push through a wholesale reorganisation and streamlining of the government, amalgamating ministries and reducing the number of cabinet ministers.

Some of the red tape surrounding the investment process is likely to disappear with the merging of the state investment committee, hitherto the main body overseeing foreign investment procedures, into a new Ministry of Planning and Investment. However, for all his reformist zeal, Mr Kiet cannot hand down edicts in the same way as Mr Lee Kuan Yew of Singapore or Malaysia's Dr Mahathir Mohamad.

Not only does Mr Kiet have to appease numerous groups – from powerful local People's Committees and Veterans Associations to cyclo-drivers co-operatives and squatter groups – he also has to abide by the strictures of the Communist party, still the dominant political force in the country.

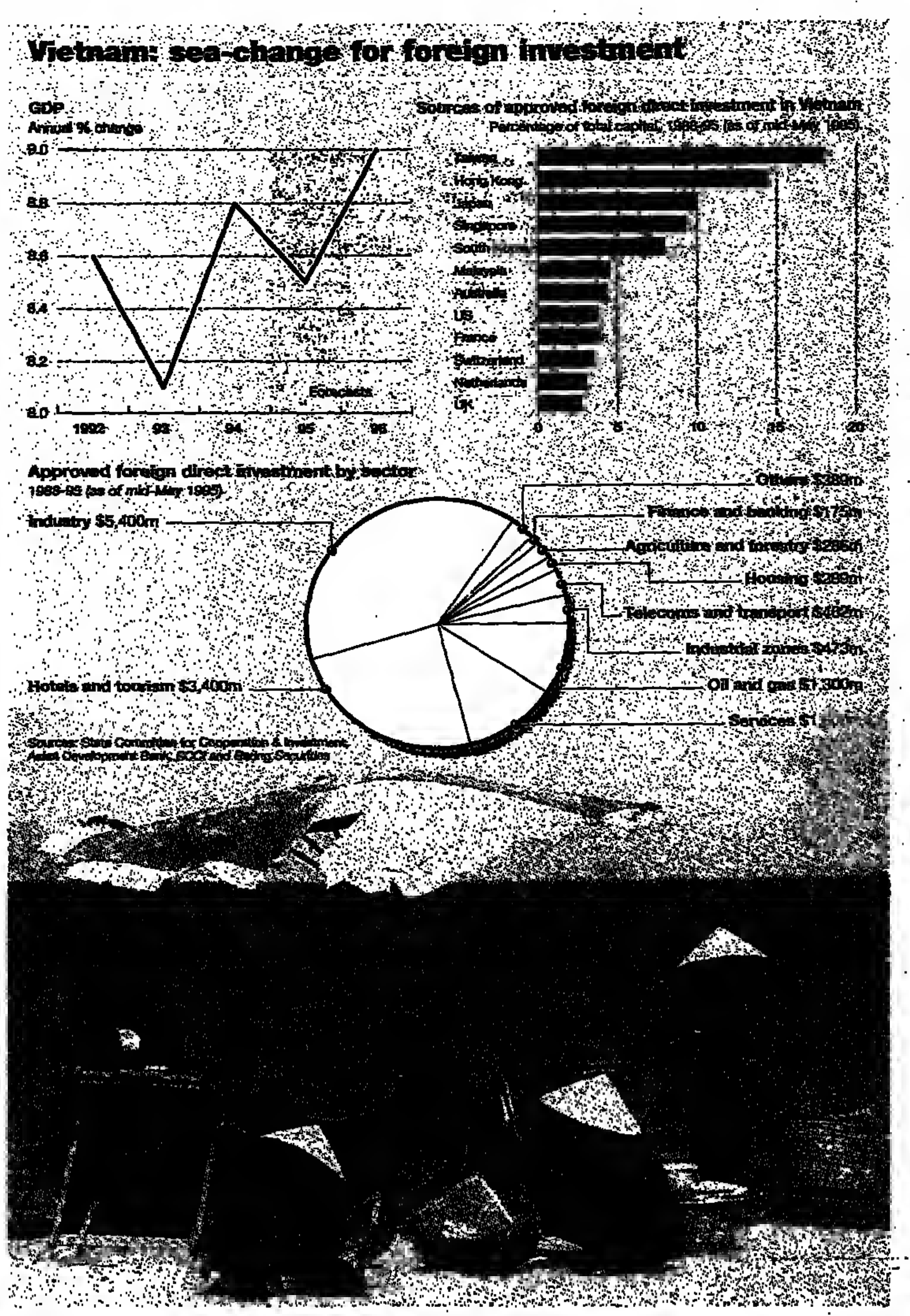
In the run-up to a Communist party congress likely to be held in the middle of next year, observers see a tussle between the reformers and conservatives within the party. An intense debate is under way about the scope of the reform process. Many in the secretive higher echelons of the party are thought to want a more cautious approach.

Mr Dao Duy Tung, a senior politburo member, says Vietnam has bypassed capitalism. He talks of an economy driven by state-regulated market mechanisms. "We have to know how to apply the capitalist forms and approaches and make use of capitalist economics in the form of state capitalism in order to build socialism."

A plethora of new laws has been passed in recent years. Some are designed to ease the way for foreign and domestic investment in the economy. But others act as a disincentive and are seen as evidence of the influence of strongly conservative elements within government. A law promulgated in 1996 declared all land the property of the state. Although reformers have tried to soften the impact of the legislation, the law, if strictly applied, means land cannot be used as collateral for loans or to establish any clear title to property – a big handicap for both foreign and local investors.

The government's defenders point to the considerable progress of recent years. Parts of the country are being transformed after years of war and internal division. The economy grew in 1994 by 8.8 per cent and is expected to have expanded by about 9 per cent in 1995. Vietnam's 72m people are resourceful and hard-working, with a relatively high standard of education.

But long-time observers of Vietnam feel that as long as the conflict between state control and the forces of the open market remains unresolved, confusion will continue. Doi moi, first announced in 1986, was hailed as a great victory for the reformists. But the battle continues. Its outcome will determine whether investors stay – or leave in search of another new frontier.



OBSERVER

Striking it lucky

■ A small coup for Chime Communications, the public relations company founded by Sir Tim Bell, erstwhile PR consultant to Mrs Thatcher. It has landed the redoubtable Sir David Hannay, lately Her Majesty's ambassador at the UN, as a non-executive director.

Sir David is the quintessential British mandarin, who in his penultimate posting in Brussels was known (not always behind his back) as Sir Humphrey, because of the striking similarity in his manner of speech to the television star of *Yes, Minister.*

But as well as being a highflying diplomat, Chime's new acquisition has plenty of hands-on media experience. On arrival in New York, Sir David became a TV star in his own right. As the Gulf war broke around him, he was "discovered" by the US networks as a natural communicator – succinct and sometimes startlingly direct. His success with the media was such that it even caused the occasional frisson in relations with his US counterparts.

His diplomatic UN experience should come in useful for Sir Tim, who last year flirted briefly with the idea of improving the image of the unlovely Nigerian government, before it executed Ken Saro-Wiwa. "His guidance and counsel would be particularly helpful in a case like that," says Piers Pottinger, managing director of Chime.

But Sir David's real strength lies in an unrivalled knowledge of the European Union. He knows better than any where the bodies are buried. So who will bid next for his whispered advice?

Remote control

■ So has the world utterly misunderstood Vladimir Zhirinovsky, the ultra-nationalist politician who believes Russian troops will one day wash their boots in the Indian Ocean and recapture Alaska? According to his wife, the politician labelled "Mad Vlad" by the world's media is a gentle soul who frequently gives her roses, likes watching *Swan Lake* at the ballet, and asks permission whenever he wants to change television channels. He is "very quiet and peaceful", she confided in Helsinki yesterday.

Then again, it appears that living with Zhirinovsky for 25 years may have coloured her own perspective on the world. Yesterday, she agreed with her husband's views that Baltic nationalists should get in their boats and start rowing if he becomes president in June. "Everyone in Russia wants the Baltic states returned," she asserted. Well, not quite. There are Russians aplenty who think that Stalin's invasion of Lithuania, Latvia and Estonia in 1940 and the subsequent deportation of thousands to Siberia is a practice best not repeated.

Wedding bath

■ A Taiwan couple have chosen an unlikely spot for their wedding ceremony. They have spent $1m building a luxurious public bathroom in a park in central Taiwan, according to a local newspaper. They have also persuaded another five couples to get married at the same time in a bid to set a world record for a mass bathroom wedding. The groom and bride, Lee Wang-feng and Chiu Chiu-kuei, said they wanted to marry in a bathroom because it is a room everyone visits often. However, they did not disclose whether they would change out of their birthday suits after their wedding shower.

Signal failure

■ One of the perks of rising to director-general level within the European Commission is that you get to choose the nationality of your driver. Whether or not you can state a preference for the chauffeur's sex is less clear – but in practice, the bigwigs' drivers are all male.

Indeed, there isn't a single woman at the wheel of a European bureaucrat's car (in a paid capacity) – a matter that is currently exercising Sue Waddington, a Labour Euro-MP who sits on the European Parliament's all-party committee on women's rights. She has written to the Commission asking what steps are being taken to "remove this injustice".

The Commission's very own Equal Opportunities Unit admits there is still "a long way to go" in achieving equality. "Women are still confined to subordinate positions and the closer they come to decision-making levels the fewer they are in number", it says. In other words, decisions about whether to jump a red light are still in the hands of men.

Whipped in shape

■ What did Anna Pavlova, Russia's most celebrated ballerina, say on her death bed? According to legend the last command of Pavlova, the most famous of all ballet's dying swans, was to "prepare my swan costume". However, nearly 65 years after her lonely death in a Dutch hotel room, Jean Thomassen, a Dutch painter and Pavlova fanatic, has come up with a revised version. In a new book he notes that Pavlova asked her private maid Margaritte to bring her the designer dress she had recently bought in Paris so that she could send it back for a refund and use the money for one of her orphanages. Now we know why they named a sweet after her.

The Financial Times

100 years ago

The defeat of Jameson
A most painful feeling will be aroused throughout the country by the news that the force led by Dr. Jameson into the Transvaal has not only been met by the Boers in serious conflict, but has been so conclusively defeated that it has been compelled after hard fighting to surrender. The loss of life that has resulted from this mad expedition has yet to be fully ascertained, but at an early stage of the fight the Boers are stated to have had 22 wounded prisoners including three officers and to have buried five of the dead enemy. So ends this deplorable attack, which had been so ambitiously undertaken. It was the latest development of the land-grabbing craze that has for years possessed the South African Colonists.

50 years ago

Irrawaddy Flotilla
The Irrawaddy Flotilla Company announces that an agreement has been reached whereby the undertaking will be employed as agents for the Government of Burma to operate inland water transport services in Burma. The company will receive hire for the use of its craft and properties and remuneration for managing and operating these assets and those provided by the Government on terms which the directors consider satisfactory.

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FINANCIAL TIMES
Wednesday January 3 1996

Threat to government as majority dwindles

Ulster party may oppose UK Tories on key votes

By George Parker in London and John Murray Brown in Dublin

Britain's Conservative government last night faced an uncertain new year, after the Ulster Unionists warned they might oppose it on key votes.

The parliamentary majority of the prime minister, Mr John Major, is down to five, and the opposition Labour party yesterday promised "a lively time" for the government.

Mr John Taylor, deputy leader of the Ulster Unionist party, suggested Mr Major might secure the support of the UUP if he entered into a formal coalition.

Without such a deal, the prime minister could face possible defeat on a range of sensitive issues, from Europe to Labour amendments to the Finance Bill calling for a cut in value-added tax on fuel.

Speaking on Irish Radio, Mr Taylor said a coalition could be "an ideal answer" to the stalemate in the Ulster peace process because "it would give responsibility within the government to people who are answerable to the electorate in Northern Ireland".

He added: "We will not be automatically supporting the government. Each issue will be decided on its merits and we could easily find ourselves in a position where we would be supporting a vote of no confidence in the government."

But senior Tory officials made clear last night they had no intention of entering into a formal deal with the UUP, which would be viewed with anger by the nationalist community in Northern Ireland.

Mr Major will rely increasingly on the support of the nine Ulster Unionist MPs in 1996. His majority will shrink to three in the spring if the Tories lose two pending by-elections, and even that majority relies on the support of the Eurosceptic MP Sir Richard Body, who has resigned his commitment to vote with the government.

The government's hopes of a revival in 1996 were dealt a severe blow on Friday by the defection to the Liberal Democrats of Miss Emma Nicholson, MP for West Devon and Torridge, who said yesterday that she might resign and fight a by-election if her constituents wanted one.

Although the Lib Dems might expect to win the seat comfortably, senior party figures hurriedly made plain they had no desire to see such contest.

Amid fresh doubts about the future of Mr Major's government, concern is growing in Dublin and London at the series of murders of Roman Catholics.

Police believe they represent an attempt by the IRA to reassert control in nationalist communities. Sinn Féin yesterday refused to condemn the shooting of a Catholic man in Lurgan on Monday – the fifth killing in recent weeks of alleged drug dealers.

Observer, Page 9

Bosnian Serbs are accused of abducting 16 civilians

By Laura Silber in Belgrade

The Bosnian government yesterday accused Bosnian Serbs of abducting 16 civilians, giving the Nato-led force its first real challenge in enforcing the ambitious peace accord.

The people were detained over the past week while driving through Ilidza, a Serb-held suburb of Sarajevo, using a route newly opened under the Dayton agreement, according to a statement from the Moslem-led government.

Mr Hasan Muratovic, a government minister, said the civilians were pulled out of their cars. In a formal protest letter to Admiral Leighton Smith, Nato commander in Bosnia, he asked the international force (Ifor) to end what he called "Serb terrorism".

Nato officials yesterday said they could not confirm reports of the kidnappings and suggested that it was a police matter.

UN officials dismissed what they called "Nato attempts to pass the buck". "The freedom of movement across former front lines is the key part of the Ifor mandate," said one official in Sarajevo. "If Ifor wants to succeed on this very difficult issue, they have to get their act together really fast."

A Serb official said "terrorists who had been sent to destabilise Ilidza before the handover" had been arrested. Under the Dayton agreement, Ilidza is one of several Serb-held regions due to be turned over to Bosnian government control.

The official said 10 Moslems and two Serbs had been arrested crossing into Hadzici and Ilidza, Serb-held suburbs of Sarajevo. Nine of the people were detained on December 22 and on Monday another three, who the official claimed were members of the 131 Bosnian light infantry brigade, were held.

He accused the Bosnian government of sending infiltrators into Serb-held lands in order to spread an atmosphere of panic before the handover of the region to Moslem control.

"These were not abductions but arrests of Moslems entering the area illegally ... in state-sponsored terrorism," the official added.

The incident drives homa the challenges Ifor will face even when the guns have fallen slient in Bosnia.

THE LEX COLUMN

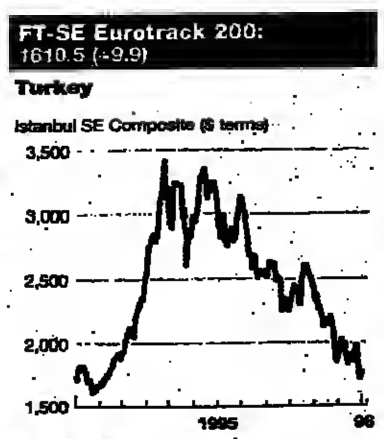
Healthy incentive

International investors have not had to wait long for the year's first substantial takeover bid. Those offered SKr10.3bn ($1.7bn) for their 58 per cent holding in Swedish medical group Gambro must be tempted to carry right on with their New Year celebrations: at SKr155 a share, the offer has been pitched at a 20 per cent premium to a price already buoyed by takeover speculation. Incentive, the holding company of Sweden's Wallenberg family, is bidding 19 times forecast 1996 earnings for Gambro even though it already has a voting majority.

As a world leader in kidney dialysis equipment, Gambro is an attractive catch. It has increased profits by a 20 per cent a year for the past decade from a broad international base. Still, paying a price that – by its own admission – will dilute Incentive's earnings per share by almost 20 per cent this year seems hard to justify.

After 75 years in business, however, the Wallenbergs are probably sanguine about the short-term impact. The Gambro deal will accomplish two things: it will bring further expansion in high-tech industries and outside Sweden, where the family controls or influences 40 per cent of companies listed on the Stockholm stock exchange. And it will transform Incentive into a real industrial company. To date, it has been seen as a warehouse for the family's second-line assets and been rated accordingly – currently it trades on just six times earnings. If that perception can be altered, tha price paid for Gambro will be well worth it.

FT-SE Eurotrack 200: 1610.5 (+9.9)



Source: FT Extel

Turkey

Turkey's elections have left the country adrift. The immediate worry for western investors is not that the biggest share of the vote was won by a party pledged to turn the country into an Islamic republic – since the Islamists stand little chance of persuading others to join them in a coalition. It is that Turkey's two centre-right, pro-western parties do not have a majority between them. And a three-way coalition, which would have to include one of the country's left-wing parties, is unlikely to deliver the nasty dose of medicine the economy badly needs.

Over the last 15 years, Turkey's economy has managed to grow by 5 per cent a year on average the strongest performance in the OECD. But growth has been volatile; in 1994, the economy actually shrank by 6 per cent. Although growth has picked up since then, inflation is still over 80 per cent. And the government's finances are in a mess, forcing short-term interest rates above 200 per cent.

With rates so high, it is not surprising that Turkish equities look cheap, trading at less than six times average earnings. It would, though, be a brave investor who bought shares now. For one thing, customs union with the EU will expose many Turkish companies to tough competition. For another, inflation and interest rates are likely to remain high, and tha currency weak, until the government administers a genuinely radical pruning of the country's sprawling public sector. In the wake of the elections, this looks as distant as ever.

Gilt repos

The opening of the gilt repo market yesterday marks not only a further step in the modernisation of the UK's gilt market; assuming it is successful, it is also likely to lead to changes in the way the Bank of England executes monetary policy.

Currently, the Bank controls liquidity by issuing bills up to three times daily. Other central banks, such as the Banqua de France and the US Federal Reserve, use repos for this purpose, typically once or twice a week. Some argue that the frequency of the Bank of England's market operations gives it a more subtle influence. This may have some truth, but the British system also has considerable drawbacks. Most important, the bills market is dominated by tha claaring banks, which in practice are able to manipulate the market.

The Bank of England has yet to decide whether to change to repos for its money market operations. But, if a liquid repo market is established, the momentum to shift will become almost irresistible. It may take some time for liquidity to develop: critical mass probably means a market of £20bn-30bn. But a liquid repo market, used by a much larger number of financial institutions, would allow the Bank to influence the behaviour of a broader range of market participants, and make the market more difficult to manipulate. Furthermore, the Bank could well find it had greater scope for easing or tightening monetary policy without moving official rates. And its intentions would be simpler to read than under the current overcomplicated system.

Forte/Granada

Forte yesterday went all-out to buy the loyalty of its long-suffering shareholders and came out with a convincing package. There is £800m of cash, through a share buy-back which should win the hearts of many tax-exempt institutions, given the tax credits that come with it. Meanwhile, the 20 per cent annual dividend growth projected up to January 1999 is way ahead of forecasts - although the additional cost to Forte in the first year will be almost entirely off-set by the reduction in shares from the buy-back.

Of course, the deal leaves Forte looking stretched. Dividend cover will be only two times and interest cover three. Nonetheless, it is a good time in tha hotel cycla to have gearing. It will keep pressure on the management to deliver on their promises and encourage tha sale of trophy assets, which in turn would enhance earnings. Given Sir Rocco Forte's unfortunate unwillingness to split his chairman and chief executive roles, such assurances are important - after all, the recent transformation has come at the end of a shotgun barrel.

This is all bad luck for Granada. At least UK regulatory changes mean that it now has the option of buying another television company, if it loses Forte. And given Granada's superior management track record, a higher offer could still win the day. But it is hard to see how much more Granada can justify paying. The potential loss of management contracts, combined with the likelihood of an increased hotel depreciation bill, means that Granada will have to work some magic to make the numbers look attractive.

China issues new listing rules for hard currency B-shares

By Geoffrey Crothall in Beijing

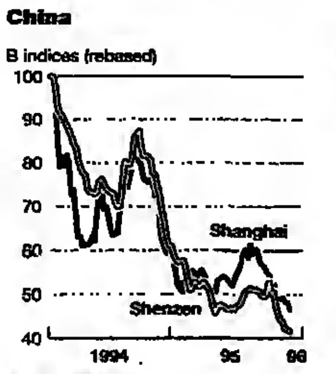
China yesterday issued its first rules on the listing and trading of hard currency B-shares in an attempt to consolidate and unify the national market.

B-shares, first issued in late 1990, have until now been regulated separately by China's two securities exchanges in Shanghai and Shenzhen. They are available to foreign investors, to Hong Kong, Taiwan and Macao nationals, and to Chinese nationals living abroad.

The new rules, published by the official Xinhua news agency, state that new listings in excess of $30m must first obtain approval from China's cabinet, the state council.

Companies seeking to list B-shares must hold at least 35 per cent of the initial offering and invest a minimum of Yn150m ($18.1m) in the issue. Companies hoping to expand their capital with a new offering must have a minimum net asset value of Yn150m and have shown a minimum three years' consecutive profit before the offering.

China



Source: Datastream

In an attempt by the central authorities to gain greater control over new listings, the regulations – which take immediate effect – state that the lead underwriter for a new listing must be approved both by the central bank, the People's Bank of China, and the China securities regulatory committee.

The new regulations do not mark a significant departure from the rules currently governing the 36 B-shares listed in Shanghai and the 32 listed in Shenzhen and are not expected to have a major impact on the market, which has been fairly dormant for several months. The rules are being seen by analysts in Beijing as simply an attempt to unify the market and create a more orderly investment environment for foreign investors.

In spite of the restrictions on who may hold B-shares, much of the investment in the companies during the past two years has come from mainland investors using intermediaries abroad.

Many analysts believe that as China moves towards full convertibility of the yuan, B-shares will gradually become redundant. With convertibility on the current account, Chinese companies will no longer have the same need to raise hard currency through B-Share offerings.

● The Shanghai B share index ended sharply higher on institutional buying in selected stocks yesterday, Reuter reports from Shanghai. The index rose 0.987 points, or 2.07 per cent, to 48.672 on volume of 2.2m shares worth $490,000.

Clinton in new moves to end impasse over US budget

Continued from Page 1

accept the condition of limiting the time allowed for debate on the overall budget. The broader impact of the shutdown, which also affects about 750,000 civil servants who are at work but being paid less than full salaries, remains scattered. Small federal contractors, including those running canteens, and communities dependent on the seasonal trade around national parks, appeared most affected, along with federal employees. Most government economic statistics, mainly compiled by the labour and commerce departments and watched by financial markets, are not being published. Yesterday's victim was the construction returns, while Friday's unemployment figures are unlikely to appear. A protracted shutdown would eventually begin to affect collection of economic data, officials say. Although no important opinion polls were published over the holidays, most had previously shown the public much more inclined to blame Congress than the president for the state of affairs. This may explain the relative moderation displayed by some members of the hardline Republican freshman class in the House in conceding even their prized $245bn tax cut should be on the negotiating table.

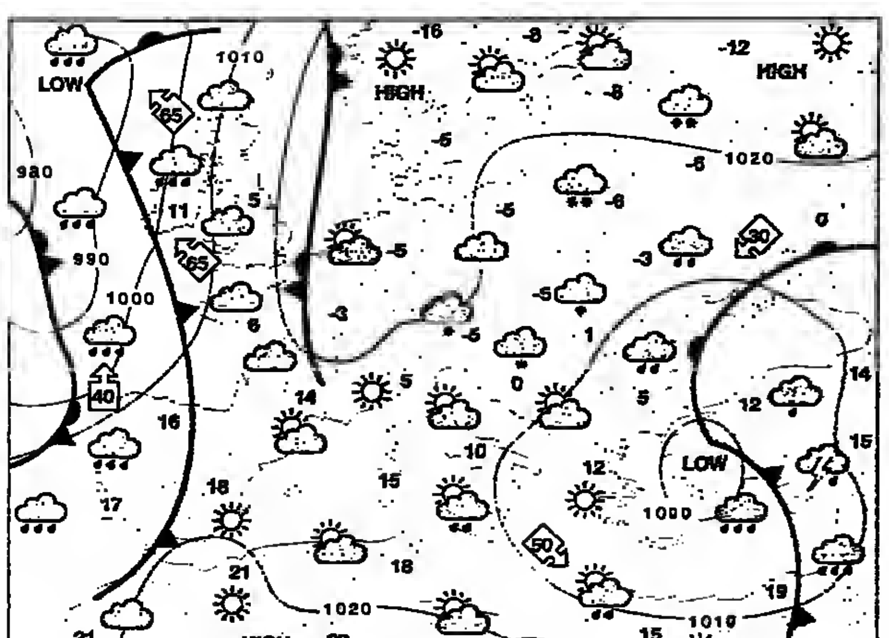
FT WEATHER GUIDE

Europe today

Near gale and gale force winds will cross Ireland bringing rain to the west. The rest of the British Isles will be cloudy and dry and Scotland may have sunny spells. The Low Countries, Germany and northern France will be mostly cloudy. Southern France and eastern Spain will be sunny. Portugal and western Spain will have cloud and rain. Italy will be dry with cloud in the north and sunny periods elsewhere. Low pressure in the eastern Mediterranean will cause torrential rain along Turkey's south coast. The Balkans will be cloudy and there will be rain in Romania and snow as far north as Latvia. Russia and Scandinavia will be very cold with some sun.

Five-day forecast

Portugal will be unsettled with a lot of rain. Central Europe will remain cold and dry but a band of rain turning to snow will move across France towards the Low Countries and Germany on Friday. The western Black Sea region will have occasional rain. The British Isles will be windy and cloudy with rain at times. High pressure will promote fair conditions in Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum			Beijing	sun	3	Caracas	cloudy	30	Faro	shower	16	Madrid	cloudy	12	Rangoon	sun	30
Celsius			Belfast	cloudy	6	Cardiff	cloudy	7	Frankfurt	cloudy	-3	Majorca	cloudy	16	Reykjavik	rain	4
Abu Dhabi	fair	25	Belgrade	sleet	0	Casablanca	fair	20	Geneva	cloudy	4	Malta	shower	16	Rio	rain	30
Accra	fair	32	Berlin	cloudy	-6	Chicago	cloudy	-4	Gibraltar	fair	17	Manchester	cloudy	5	Rome	fair	13
Algiers	sun	19	Bermuda	cloudy	24	Cologne	cloudy	-2	Glasgow	cloudy	5	Manila	cloudy	27	S. Frsco	sun	15
Amsterdam	cloudy	-3	Bogota	fair	20	Dakar	fair	30	Hamburg	cloudy	-7	Melbourne	drzl	21	Seoul	cloudy	0
Athens	fair	14	Bombay	fair	30	Dallas	fair	8	Helsinki	cloudy	-5	Mexico City	fair	18	Singapore	thund	29
Atlanta	cloudy	6	Brussels	cloudy	-1	Delhi	sun	22	Hong Kong	sun	22	Miami	thund	26	Stockholm	fair	-9
B. Aires	fair	31	Budapest	snow	-1	Dubai	fair	25	Honolulu	fair	27	Milan	cloudy	4	Strasbourg	cloudy	-2
B.ham	cloudy	5	C'hagen	fair	-1	Dublin	cloudy	9	Istanbul	rain	10	Montreal	cloudy	-12	Sydney	rain	24
Bangkok	fair	26	Cairo	cloudy	20	Dubrovnik	fair	10	Jakarta	shower	26	Moscow	cloudy	-9	Tangier	fair	19
Barcelona	fair	14	Cape Town	fair	26	Edinburgh	fair	6	Jersey	cloudy	9	Munich	snow	-3	Tel Aviv	shower	20
									Karachi	sun	27	Nairobi	fair	28	Tokyo	fair	12
									Kuwait	rain	15	Naples	fair	13	Toronto	snow	-7
									L. Angeles	sun	22	Nassau	thund	28	Vancouver	cloudy	6
									Las Palmas	fair	23	New York	sleet	3	Venice	fair	7
									Lima	cloudy	26	Nice	fair	14	Vienna	cloudy	-1
									Lisbon	rain	17	Nicosia	rain	17	Warsaw	snow	-5
									London	cloudy	7	Oslo	fair	-8	Washington	windy	5
									Lux.bourg	cloudy	-3	Paris	cloudy	3	Wellington	fair	21
									Lyon	cloudy	5	Perth	sun	36	Winnipeg	cloudy	-13
									Madeira	drzl	21	Prague	cloudy	-5	Zurich	cloudy	-1

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 3 1996

IN BRIEF

Toys 'R' Us sales reflect retail gloom

Toys "R" Us, the US toy store group, provided further evidence of the gloom that afflicted US retailers this Christmas by announcing that sales in its US stores open a year or more had risen by less than 1 per cent in the eight-week period to December 24. Page 12

Report suggests $40bn European IT outlay
Europe's 100 biggest spenders on information technology invested an estimated $40bn worldwide on IT in 1995, according to a survey. Siemens, the German electronics group, heads the European league, with $2.29bn of expenditure last year. Page 12

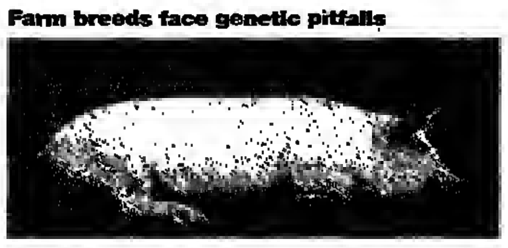
PNC Bank revamps securities portfolio
PNC Bank has for the second year running announced a restructuring of its securities portfolio. The move marks an attempt by the Pittsburgh-based financial institution to make itself less vulnerable to changes in US interest rates. Page 12

Telecoms group pursues record expansion
The past 12 months have been a remarkable time for the Philippine Long Distance Telephone Company. As the most watched Philippine American depositary receipt on the New York Stock Exchange, its share price has tracked the Manila exchange's volatile fortunes. Beneath the surface, however, it has been pursuing the most rapid telecoms expansion in the country's history. Page 12

BTR quits Malaysian venture in £57m sale
BTR, the UK industrial conglomerate, is withdrawing from the Malaysian petrochemicals industry as part of its programme of non-core disposals with the sale of its minority interest in the Malaysian operations of Titan petrochemicals for M$224.7m ($87.8m). Page 13

Calor in $31m Latin American investment
Calor Group, the UK supplier of bottled and bulk gas, is expanding its operations in Latin America with a $31m investment in Supergasbras Distribuidora de Gas, Brazil's fourth largest distributor of liquefied petroleum gas. Page 14

Farm breeds face genetic pitfalls



Geneticists can select farm animals such as pigs and poultry for breeding from a small number of apparently ideal animals. But if they neglect to select for old-fashioned virtues such as good legs, resistance to disease and a desire to reproduce, they risk producing animals which may have incredible quality characteristics but which cannot stand, will not breed and tend to lie down and die. Page 15

Study says Zantac to lose top drug status
Zantac, the world's best-selling drug since the mid-1980s, will virtually disappear by 2000, displaced by newer drugs, according to a report. The ulcer drug made by Glaxo Wellcome of the UK will be replaced at the top by a rival, Losec, made by Sweden's Astra, says Lehman Brothers, the securities house, in its review of the global drugs industry. Page 16

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	2845	+	49
Asko Prf	570	+	15
MAN	400	+	12
Falls			
Adidas	735	-	15
Dt Ind Cd pr	815	-	15
VEW	516.9	-	8.1
NEW YORK ($)			
Rises			
Allied Signal	48⅛	+	1⅛
Dell Computer	35⅛	+	1⅝
Du Pont	71⅛	+	1¾
Falls			
Amgen	57⅞	-	1¾
Citicorp	107⅞	-	3
[illegible]	27⅞	-	5
LONDON (Pence)			
Rises			
Barclays	758	+	19
[illegible]	285	+	17
[illegible]	345	+	22
Quality Softw	593	+	27
Falls			
BTG	1068	-	52
[illegible]	463	-	33
TORONTO (C$)			
Rises			
[illegible]	17½	+	1
[illegible]	13⅛	+	2⅛
[illegible]	12	+	1
Falls			
Irwin Toy	6⅜	-	1⅝
QLT Photo	13⅜	-	1⅝
Spectrum Sg	17⅛	-	1½
PARIS (FFr)			
Rises			
Air Liquide	830	+	14
BIC	511	+	13
Bouygues	525	+	26.7
Essilor Intl	954	+	18
SGS Thomson	199	+	11.5
Falls			
[illegible]	565	-	19
HONG KONG (HK$)			
Rises			
[illegible]	4.2	+	0.37
Li & Fung	7.4	+	0.5
Lucky Man Pmp	7.2	+	0.5
Falls			
[illegible]	3.74	-	0.09
[illegible]	5.6	-	0.30
Qingling Mtrs	2.1	-	0.15

Bangkok and Tokyo closed. New York and Toronto prices at 12.30pm.

Forte promises £800m share buy-back

Hotels group to raise dividend to fend off Granada's hostile bid

By David Blackwell in London

Forte, the UK's largest hotels group, has promised shareholders a share buy-back worth £800m ($1.2bn) if the hostile £3.3bn bid from Granada fails.

The main defence document, published yesterday, also commits the group to increasing its dividend by 20 per cent for the next three years.

Sir Rocco Forte, chairman, said the document was the equivalent of a prospectus for a new hotel company. "Going forward, this is a terrific and attractive investment," he said.

Shares in Forte rose 12½p to close at 343p yesterday, while Granada shares fell 3p to 642p.

Granada, which has until Tuesday to increase its offer, described the defence as "a quick fix which fails to address the key issues".

The television, catering and leisure group is offering four new shares plus £23.25 cash for every 15 Forte shares, worth 324p a share at last night's close. There is a fully underwritten cash alternative of 321.67p. Granada is expected to write to Forte shareholders this week with a detailed rebuttal of the defence document.

Analysts and investors were impressed by Forte's defence. "It answers a lot of questions and goes a long way towards justifying some of the rhetoric," said one observer.

The buy-back of about 20 per cent of the shares will cost Forte £662m; tax credits will raise the value to shareholders to £800m. It will soak up most of the cash generated by the agreed disposal of the roadside restaurant businesses to Whitbread for £1.05bn and leave the group with gearing of 45 per cent and interest cover of about three times.

The price range for the share buy-back is between 330p and 400p. At the minimum price, investors taking this option would receive £84, including tax credits, for every 100 shares, and retain 79 Forte shares.

Forte is also distributing to shareholders its stake in the Savoy, worth about 23p per Forte share. The profit forecast of £190m for the current year, together with the asset revaluation of £3.35bn for the hotels, had already been announced.

The dividend is being raised for the first time in five years, by 21 per cent to 8.5p. Further rises of 20 per cent are pledged for each of the next three years, taking it to 14.69p in 1998-99.

The document also breaks down the profits from the different hotel operations. The Exclusive hotels, which account for nearly a third of the assets, are expected to contribute £27m to total hotel operating profits of £186m.

The Meridien chain is expected to contribute £43m, up from a previous £26m.

Lex, Page 11; Buy-backs, Page 14

US budget uncertainties contribute to sales slowdown

Shares in Silicon Graphics slide 19% on warning

By Louise Kehoe in San Francisco

Silicon Graphics, the leading US manufacturer of graphics workstations used in film animation, graphic design and computer simulation, surprised investors yesterday with a profit warning.

The company said it expected net income for the second fiscal quarter to December 31 of about 30 cents a share, down from 34 cents in the same period a year ago and well below Wall Street predictions of about 43 cents a share.

Silicon Graphics' share price dropped $5⅞, or 18.5 per cent, to $22⅜ in mid-session yesterday.

Revenues for the quarter would be about $675m (£433.3m), up from $550m in the same quarter a year ago, the company said. Analysts had been predicting revenues of up to $750m.

The slower than expected revenue growth is a setback for Silicon Graphics, which has become a Wall Street favourite because of its leadership in the trend toward "visual computing" and multimedia applications.

It appears that Silicon Graphics may be the latest victim of overheated investor expectations over multimedia computing and the Internet.

Silicon Graphics computers are used by engineers, scientists and artists to create three-dimensional images for applications ranging from product design to scientific modelling and the creation of film special effects, as well as graphics on the Internet and computer games software.

"Our revenue growth rate in North America and Europe did not meet our expectations," said Mr Edward McCracken, Silicon Graphics chairman and chief executive.

He cited several contributing factors, including a slowdown in sales to the US government caused in part by uncertainties over the Federal budget.

European results were affected by slowdowns in the economies of Germany, France and the UK. Sales via third parties were also below expectations. Analysts noted Silicon Graphics was expected to introduce a new range of workstations later this month, which may have softened demand for existing products.

Silicon Graphics also faces mounting competition as 3D graphics become a staple of desktop computing.

Sun Microsystems, the workstation market leader, is undercutting its prices for high-powered workstations.

Low-cost multimedia personal computers also now offer some of the graphics capabilities of more expensive workstations.

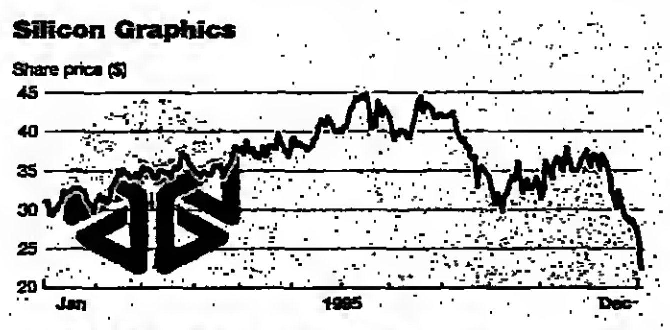
Nonetheless, Silicon Graphics said it was increasing its share of the visual computing market and its operating profitability compared favourably with that of competitors.

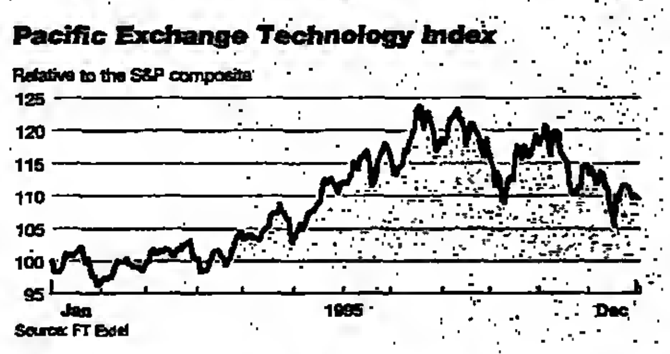
"Our fundamental competitive position remains favourable," said Mr McCracken.

Shares of other workstation manufacturers were also down slightly following the Silicon Graphics announcement.

Sun Microsystems was trading at $44⅛, down from Friday's close of $45⅞. Hewlett-Packard was at $82⅛, down from $83⅞, and Digital Equipment was trading at $63, down from $64⅛ on Friday. Silicon Graphics will announce its final quarterly results on January 17.

The company said it had cut its planned expenses growth as a result of the preliminary second-quarter results.





Source: FT Extel

Incentive bids $1.5bn to take full control of Gambro

By Hugh Carnegy in Stockholm

Incentive, one of the Wallenberg empire's main industrial companies, yesterday launched a SKr10.3bn ($1.5bn) bid to take full control of Gambro, a Swedish medical technology group it first bought into in 1994.

The move, which valued Gambro at more than SKr18bn, represents a further step by the Wallenberg empire to lift its holdings in high-technology growth industries to balance its strength in cyclical sectors such as engineering and forestry.

Incentive, with interests spread from medical technology, through transport to cargo handling and power, said it had already reached agreement to buy Gambro shares held by the Swedish Crafoord foundation and Crafoord family members.

The purchase raised Incentive's ownership in Gambro to 49.4 per cent of the capital and 73.5 per cent of the voting stock, from 42 per cent and 58 per cent respectively.

Incentive also offered SKr155.00 per share for the outstanding publicly-held stock in Gambro – a premium of 32.5 per cent over the average share price during the past 30 trading days.

Despite the premium, some shareholders expressed concern at the bid's structure. Incentive paid SKr170.50 for the vote-heavy, non-quoted A shares held by the Crafoords, while paying SKr153.80 for quoted B shares. One institutional shareholder said he was opposed in principle to the payment of different prices for the two classes of share.

Gambro B shares jumped SKr27.00 on the news to close at SKr152.00, while Incentive A shares fell SKr18.00 to SKr275.

Incentive is confident of pushing its bid through, completing a process started with its purchase in April 1994 of effective control of Gambro from Volvo.

Gambro has a leading position worldwide in renal care, last year taking over REN Corp, a US dialysis clinic chain. Recently it has been growing steadily, posting pre-tax profits of SKr946m in the first nine months of last year, a 13 per cent rise over the same period in 1994.

Mr Mikael Lilius, Incentive's chief executive, called Gambro the "cornerstone" of a more tightly focused group future and signalled that other parts of the group would be sold off.

"This is a big step on the road from an unprofitable conglomerate to being a leading Swedish industrial concern," he said.

The sale of other operations would also offset the cost to Incentive's financial strength of the Gambro purchase.

The cost will reduce Incentive's equity to assets ratio from 50 per cent to 34 per cent and is expected to reduce earnings per share in the short term by SKr7-10, compared with an eps in the year to September of SKr30.04.

But the Wallenbergs clearly see Gambro as an important asset alongside other non-cyclicals such as Astra, the pharmaceuticals group, and Ericsson, the telecommunications group.

Lex, Page 10

Slow start for open market in repos

By Richard Lapper in London

Banks and other businesses already active in UK government bond dealing yesterday dominated the first day of trading in the open market in gilt repos – sale and repurchase agreements.

The open market in repos, which allows all participants to borrow and lend government stock, represents the latest stage of reform to make the market user-friendly for foreign investors, increase liquidity and reduce the government's borrowing costs.

Systems and documentation problems reduced the involvement of a number of would-be participants in the new market, although dealers said the number of transactions had been in line with expectations.

"The market is not in full swing but it has begun in earnest. We are encouraged that it hasn't been a damp squib. There are people in there willing to deal," said Mr Philip Shaw, group economist at Union Discount, the discount house.

Gilt edged marketmakers (Gemms), whose exclusive privileges to borrow government stock has disappeared as part of the reform, were among the most active players.

Ms Una van Dorssen, director of repo marketing at NatWest Markets, said many deals agreed yesterday had been short-term, either overnight or one or two weeks. She expected the terms of transactions to lengthen as the market becomes more liquid.

Repo rates quoted yesterday were said to be very close to those being quoted in the interbank market. "The money market is driving rates. Deals are being priced off the interbank curve," said Mr Shaw.

As the market becomes more liquid, repo rates are expected to fall as investors in repos enjoy greater security than those in the unsecured interbank market.

Lex, Page 10

Barry Riley

Riddle at the end of Japan's rainbow

When the Japanese financial markets finally reopen for the new year tomorrow the headline indicators – the Nikkei stock market average and the yen/dollar exchange rate – will both be remarkably close to where they started 1995. However, the collapse in the 10-year bond yield from 4.6 to 2.9 per cent gives a better clue to the impact of the drastic reliquification policy which has propped up the banking system, stabilised the yen and possibly brought the economy close to recovery.

In globalised markets, however, massive stabilisation measures in one place are liable to generate instability elsewhere. Last year the main consequence appeared to be inexplicable strength in the US securities markets. Nobody complained, except wounded bears, but at some stage there will be a down-side, which central bankers ought to be worrying about. The crucial question for 1996, therefore, is whether Japanese policies will shift again.

At the moment the consensus is probably that Japan, after its economic standstill in 1995, will grow by about 2 or 3 per cent this year, but that short-term money rates are unlikely to budge from 0.5 per cent and the yen will not be permitted to rise to a rate of fewer than 100 to the dollar.

The point is that Japan is currently the world's leading victim of debt deflation. Low interest rates have failed to stimulate demand because of the burden of existing indebtedness: private sector debt is equivalent to some 190 per cent of GDP, against the OECD average of 120 per cent.

Certainly the strong liquidity flows are failing to create general inflation in the broader economy. Consumer prices fell slightly in 1995. The immediate effect of the financial policies has been to distort financial asset values both inside and outside Japan.

Indeed, this could get much worse, because if Japanese investors really believe the yen/dollar rate is effectively underpinned then they should be investing in much higher-yielding dollar assets. True, dollar bonds are regarded as dangerous in Japan; but as time passes, memories of past currency losses may fade.

The immediate effect of the policies has been to distort the values of financial assets both inside and outside Japan

Just suppose, however, that the Japanese economy were to start recovering quite fast, with a parallel improvement in the health of the banking system. The balance of payments surplus would rapidly be eroded, the yen would weaken further, without any need for intervention, and the bond market bubble would burst.

In the early part of 1995 equity prices tumbled while bond prices surged, and at some point this is likely to be reversed. The transition would be even harder for the Bank of Japan to manage without financial catastrophes than the US Federal Reserve's notorious tightening of February 1994.

A strong Japanese economy would also pose problems for the US markets, given that the official recycling of balance of payments surpluses into US Treasury bonds and bills would slow down or stop. Hence the comfortable assumption that the BoJ will continue to crank out yen at 0.5 per cent indefinitely, and support domestic bond prices when necessary. Nasty readjustments could be postponed into 1997, and displaced Japanese liquidity could continue to support various markets around the globe.

The trouble with this scenario of continuing economic sluggishness is that it seems to lead straight towards a medium-term fiscal crisis. Japan has just fixed a 1996 budget which will require the issue of bonds (including construction bonds) of more than $200bn. Adding in local authority deficits, Japan's general government borrowing is about 8 per cent of GDP (though this is temporarily obscured by large, social security surpluses).

This is light-years away from the US debate on a balanced budget. Yet despite the noisy talk of US deficit reduction, dollar bonds yield twice as much as yen bonds. This is what happens when the US household savings rate is 4 per cent and the Japanese rate 16 per cent, and there is only marginal arbitrage between the markets.

Investors may conclude from the Japanese experience that to reliquify hopefully is better than actually to arrive at an economic destination. But within 12 months the end will surely be at least in sight.

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Schering forecasts increase in profits

Schering, the German pharmaceuticals company, expects net profits to exceed DM285m ($199m) and sales to climb above DM5bn this year. The forecast follows a turbulent year in which currency fluctuations and controversy over several of its products drove down profits and sales, Mr Giuseppe Vita, chairman, said yesterday.

Mr Vita told the daily Berliner Zeitung that net profits for last year would fall 18 per cent on sales of DM4.6bn. Schering reported net profits of DM285m on sales of DM4.7bn in 1994, but attempts to sustain growth were blocked by the strength of the D-Mark against the US dollar and other currencies. Mr Vita said last year's currency fluctuations cost Schering DM400m in sales.

The more upbeat assessment for this year stems from what the company believes is a growing confidence in the market for Betaferon, Schering's multiple sclerosis drug which is due to be launched in Germany soon. It is already available in the US and some European countries. Mr Vita said he expected sales of Betaferon to reach DM650m this year – accounting for 13 per cent of total turnover. However, analysts said Schering had still to restore its credibility in two of its products – contrast-media, which is used in X-rays, and contraceptives.

UK health authorities last year alleged that some of Schering's most recent oral contraceptive drugs had had side affects, while Isovist 280, its contrast media drug had to be withdrawn from the market following delayed side affects.

Judy Dempsey, Berlin

Beiersdorf buys Kendall brands

Beiersdorf, the German chemicals group, has bought a plant and two medical product brands – Curad and Futuro – from Kendall of the US. The plant is situated in Mariemont, Ohio. Plasters were sold in the US under the Curad name, while Futuro is the US market leader for orthopaedic bandages and elasticated bandages.

The products brought in $100m sales for Kendall, a unit of Tyco International of the US, in 1995. Beiersdorf, which gave no financial details of the deals, said the purchases represented a significant strengthening of its US activities.

Reuter, Hamburg

Hoogovens expects sharp rise

Hoogovens, the Dutch steel and aluminium group, expects to record a substantially higher net profit from ordinary operations for 1995. It added, however, that net profit for the second half of 1995 would be lower than in the first half and that results in the first half of 1996 would continue to be affected by weaker economic growth in western Europe. Hoogovens made a 1994 net profit on ordinary activities of Fl 366m ($228m).

Reuter, Beverwijk, Netherlands

Israel to sell 10% stake in IDB

The Israeli government plans to sell a 10 per cent stake in Israel Discount Bank, the country's third-largest bank, on the Tel Aviv stock market next month, the Treasury said. IDB Holding owns 13.2 per cent of Israel Discount Bank, with the remainder controlled by the government. The sale will be followed by a public share offering for United Mizrahi Bank. These are the only two of Israel's top five banks not yet traded on the stock exchange. After the share offerings, the government will distribute options to the public to buy shares in the banks as well as in other state companies.

Reuter, Tel Aviv

Indonesian listings planned

Four state-owned Indonesian companies – Jasa Marga, the toll road operator, Krakatau Steel, the steel group, PLN, the electricity supplier, and Bank Negara Indonesia 1946 – will list shares, both locally and abroad, this year, the government said yesterday. It said the listings would come in the second half of the year, giving investors time to digest the recent share issue of telecommunications operator Telkom. Analysts said the government should disclose a fixed initial public offering schedule so that international fund managers could plan their purchases.

AP-DJ, Jakarta

Weak sales growth for Toys 'R' Us at Christmas

By Richard Tomkins in New York

Toys "R" Us, the US toy store group, yesterday provided further evidence of the gloom that afflicted US retailers this Christmas. It announced that sales in its US stores open a year or more had risen less than 1 per cent in the eight-week holiday season to December 24.

The poor Christmas sales continued a trend that had characterised much of the US retailing sector all year. For the 11 months to December, Toys "R" Us said same-store sales in the US dropped 2 per cent, and margins fell because the company had to tempt customers with low prices.

Toys "R" Us is the world's largest toy retailing chain, and its assessment of Christmas trading is a closely-watched indicator of the level of the season's trading, not just for toy companies but for the whole retailing sector.

Mr Michael Goldstein, chief executive, said one of the main factors hampering its performance in the year to date had been the absence of a hot, new toy product. However, he noted that US same-store sales in December alone had risen 2 per cent.

He said the company was especially pleased with its December performance since it was a period marked by the lack of availability of hot video game software and the impact of the anniversary of the introduction of Power Rangers phenomena.

With additional sales coming from newly-opened stores in the US and internationally, the group's overall sales rose 7 per cent to $3.98bn in the eight-week holiday season and 7 per cent to $8.8bn in the 11 months to December.

In the UK, the introduction of 32-bit computer hardware helped lift percentage growth in same-store sales into double digits, and Japan performed well. But same-store sales fell in Canada, France, Spain and Australia, and were flat in Germany.

● Walgreen, which operated 2,119 drug stores in the US at the end of the first quarter, said sales in the first quarter of fiscal 1996 ended November 30, 1995 rose 11.9 per cent to a record $2.7bn, Reuter reports from Deerfield, Illinois. Net earnings climbed 17.9 per cent to $63.7m, or 26 cents a share.

Walgreen said earnings gains reflected expense controls and higher pharmacy sales.

Germany, UK lead IT spending in Europe

By Paul Taylor

Europe's 100 biggest spenders on information technology will invest an estimated $40bn worldwide on IT in 1995, according to a recently completed survey.

The figures, based on a study prepared by Spikes Cavell, the UK-based market research firm, for Information Week, a US weekly publication, confirm that German and UK companies spend the most on IT and account for more than half the total investment.

Siemens, the German electronics group, heads the European IT spending league with $2.29bn of expenditure last year, followed by Royal Dutch/Shell with $1.76bn and Barclays Bank with $1.3bn.

The rise in IT spending is also confirmed by figures from the Frankfurt-based European Information Technology Observatory, which recently increased its estimates for European IT growth to 6.5 per cent last year and more than 7 per cent this year – considerably higher than the 4 per cent growth rate in Japan but below the 10 per cent growth in the US.

Spikes Cavell said corporate re-engineering and rationalisation were changing the dynamics of European IT spending and driving up global budgets. This was particularly evident in the stronger European economies, with the UK showing the highest growth of 8 per cent from 1994.

Germany has 26 companies in the top 100, the UK 25 and France 21. Only six Italian companies are in the top 100, compared with Switzerland's 10. Switzerland's strong economy supports the highest IT spending per capita in the world.

However, Mr Paul Tate from Information Week warned that "spending more money on IT is no guarantee that European companies – east or west – will gain any extra value out of their investments. What is different in this new IT growth phase is that Europe's chief executives are pitching for the maximum benefits out of their IT budgets."

Europe's banking, oil, electronics and manufacturing companies are near the top of the spending league. IT investment among the top European banks is upwards of 0.5 per cent of asset value, while the top 10 manufacturing companies spend between 1 per cent and 2.6 per cent of revenues on IT. UK companies re-invest more of their revenues in IT. Reuters, the London-based international news group, emerged as the highest re-investor, ploughing almost 10 per cent of its revenues back into IT infrastructure and services.

"Europe is unquestionably on the move in terms of IT spending," said Mr Luke Spike, managing director of Spikes Cavell. "Though the countries differ there has been a fundamental shift to distributed systems, especially client/server architectures, and we are seeing enormous growth in every area of networking."

Scandinavian companies emerged as the most advanced in implementing client/server computing, followed by France, Germany and the UK.

Europe's top 10 information systems spenders

Rank	Company	Country	Spending*
1	Siemens	Germany	$2,292
2	Royal Dutch/Shell	UK/Neth	$1,757
3	Barclays	UK	$1,300
4	Daimler-Benz	Germany	$1,125
5	ABN AMRO Holdings	Netherlands	$960
6	Philips Electronics	Netherlands	$948
7	BT	UK	$926
8	Volkswagen	Germany	$886
9	Deutsche Bank	Germany	$814
10	Elf Aquitaine	France	$691

*In millions of dollars. Source: Information Week/Spikes Cavell

The right Philippine connection

PLDT is leading a telecoms revolution, writes **Edward Luce**

The past 12 months have been a remarkable time for the Philippine Long Distance Telephone Company (PLDT). As the most watched Philippine ADR on the New York Stock Exchange PLDT's share price has tracked the Manila Stock Exchange's volatile fortunes.

Beneath the surface, however, the former state-owned telephone company has been carrying out the most rapid telecoms expansion plan in the country's history.

Since January, PLDT has installed 230,000 new telephone lines and is expected to provide another 1m fixed lines before the end of the century.

Analysts point out that the company's disappointing results can be blamed on the appreciation of the peso, which has eaten into dollar earnings, rather than the effects of competition from new players in the recently liberalised environment.

Net profits grew only 5 per cent in the first nine months, to 4.69bn pesos ($178.8m). They would have grown 20 per cent if the exchange rate had remained stable.

"The market is focusing far too narrowly on PLDT's short-term earnings and missing the bigger picture," said Andrew Harrington, a telecoms analyst at Salomon Brothers in Hong Kong. "What they should be looking at is PLDT's Zero Backlog programme which is expanding the telecoms market at a rate of knots," he said.

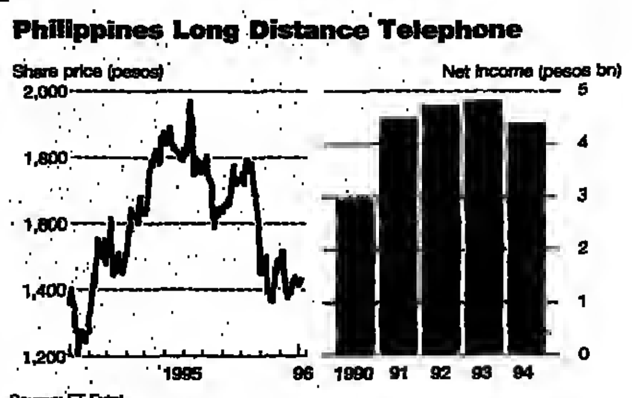
Under the Philippines' regulatory guidelines eight new telecoms operators have been awarded licences to compete with PLDT for local and international telephone traffic. In exchange the new players, as well as PLDT, are required to install a fixed number of telephone lines in allotted areas. For PLDT the alloted area is the entire country.

"PLDT has lost market share, but the market as a whole is growing so rapidly that PLDT's revenue growth is easily outstripping national economic growth," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "There is enough room for most of the companies to continue expanding without really threatening PLDT."

According to Mr Eduardo Del Fonso, PLDT finance director, the Philippines has only 2.1 telephone lines per 100 people, far below the expected density for a country with a per capita income of about $1,000.

If all the companies fulfill their commitments the market will have leapt from 1.5m lines in 1995 to 7.4m by the turn of the century. International traffic growth will be exponential. By 2000 analysts say the Philippine market will have been transformed.

PLDT's debt-equity ratio, which is expected to hit 120 per cent by 1997, is considered manageable by industry analysts, who point out that the company has structured its liabilities to mature in as long a time-frame as possible. Set at 360 basis points above US Treasury bills, PLDT's bonds are



lower-yielding than comparable emerging market telecoms debt offerings.

This month PLDT is to select one of six foreign bidders, including Siemens and AT&T, to install a $200m fibre optics system. PLDT will then issue $250m of seven to 10-year debt on the Yankee bond market – its third international offering since 1993.

"We are planning to tap around $3bn from the local and international capital markets over the next few years to fund our expansion plan," said Mr Del Fonso. "This includes moving to fibre optics, switching from analogue to digital and tripling the number of PLDT lines in the Philippines."

Mr Del Fonso predicts that PLDT's market share will probably fall to around 65 per cent by 2000, from 100 per cent in 1991. Last year, its share of international traffic dropped from 85 per cent to 81 per cent as new competitors such as Globe Telecom, a joint venture between Ayala Corporation, a local holding company, and Singapore Telecoms, attracted new customers.

"The essential point is that the market is expanding so rapidly that it does not make commercial sense for the new players to poach PLDT's customers," said Mr Harrington. "The only way they can grow is by bringing new customers into the market. They are also required to do this under government regulations."

Analysts say there is enough room for at least three competitors in the long term. Within two or three years the market is expected to consolidate to involve a maximum of four companies.

By then PLDT's competitors will have installed a $150m alternative telephone backbone (transmission system) in an effort to reduce the costs now paid in access fees to PLDT's network.

"This is probably the fastest telephone expansion programme in the world," said Mr Del Fonso, who says PLDT plans to build an extra 360,000 lines in 1996. "It is inevitable that we will lose market share, but at the same time we will be tripling our customer base. We're happy with that."

PNC Bank revamps securities

By Richard Waters in New York

PNC Bank has for the second year running announced a restructuring of its securities portfolio. The move marks an attempt by the Pittsburgh-based financial institution to make itself less vulnerable to changes in US interest rates.

PNC's securities losses have been among the most visible of those suffered by US banks during a period of great volatility in rates, which has severely tested banks' interest rate management skills.

The latest balance sheet realignment, carried out before the end of last year, will result in charges of nearly $200m. It follows a late-1994 adjustment, undertaken in a very different interest rate climate, that cost the bank around $80m.

A year ago, PNC was suffering in the aftermath of a series of interest rate rises and a bond market crash.

To make itself less liability-sensitive (exposed to rising rates) it sold some fixed-rate bonds. To reduce the potential losses on its remaining holdings, it also bought interest rate caps and swaps under which it would pay a fixed rate.

PNC said yesterday it had sold $6bn of securities before the end of 1995, $1.9bn of them Treasury bonds and the rest Collateralised Mortgage Obligations, for an after-tax loss of $40m.

It also sold swap contracts tied to these securities, resulting in a further after-tax loss of $150m.

BTR disposes of Malaysian joint venture

By Tim Burt

BTR, the UK industrial conglomerate, is withdrawing from the Malaysian petrochemicals industry as part of its programme of non-core disposals.

The group, which has raised £660m ($1.03bn) from disposals in the past six weeks, is selling its minority interest in the Malaysian operations of Titan petrochemicals – controlled by Taiwan's Chao group – for M$234.7m (£57m).

"This disposal continues our strategy of divesting non-core interests and concentrating on industrial manufacturing," said Mr Alan Jackson, who agreed the deal before stepping down as BTR chief executive at the end of December.

It follows BTR's decision in November to sell its UK aggregates business to Minorco, the international natural resources group, for £330m and the disposal two weeks ago of Dunlop Slazenger for £300m to a management buy-out team.

BTR has sold businesses with combined sales of almost £3bn in the past four years.

Under the terms of the latest deal, BTR's joint venture partners in Malaysia will pay M$123.5m in cash for its stake with the remaining M$101.2n payable over five years on a fixed letter of credit.

The proceeds are expected to reduce BTR's borrowings after the £1.36bn buy-out last month of minority shareholders in its Australian arm, BTR Nylex.

Although the deal has yet to be approved by the Malaysian government, industry analysts welcomed yesterday's disposal plans. They cited difficulties with the petrochemical operations as a factor behind BTR's cautious trading statement last month.

At the time, the company said the deteriorating performance of its Taiwanese polymer plant and a slowdown in some of its main construction and automotive markets meant profits this year would be below expectations.

"More parts of the Taiwanese polymer businesses could now be sold," said one analyst. Another said BTR might consider selling some of its smaller industrial operations, which have limited scope for expansion.

Mr Ian Strachan, who succeeded Mr Jackson as chief executive this week, is expected to draw up further disposal candidates over the next few months.

Drive for profit growth as honeymoon ends

Geoff Dyer considers the future for NFC under Gerry Murphy

According to Mr Gerry Murphy, the new chief executive of NFC, the flagging transport and logistics group has been held up by a "pre-occupation" with internal workings. "It has lost a couple of years," he admits.

Most observers would regard this as an understatement. In the last two years NFC has seen a boardroom bust-up, three chief executives and two chairmen. It has been poked and prodded by endless consultants, taken a string of restructuring provisions and made a couple of disastrous acquisitions.

The City has taken an even dimmer view. At its flotation in 1989, NFC was seen as a glory stock, but after a series of poor profit figures it has become the target of analysts' jibes. The shares have dropped from 285p in January 1994 to 142p yesterday and over the last three years they have underperformed the market by 60 per cent.

Now six months into the job, Mr Murphy, a 40-year-old Irishman, is under pressure to explain how he will reverse the group's fortunes.

The first problem, he says, was to "fix the plumbing" – the group's internal management. The board has been revamped with the group of long-standing executives from before privatisation swept away, and five new directors appointed. Below board level, about 20 new executives have been installed, including the entire senior management team in the UK.

The main goal now, he says, is to boost profits. Given that NFC made operating profits last year of only £88.2m on turnover of £2.2bn, it is not surprising that Mr Murphy has concluded: "Growing revenue is not difficult for us, it is converting that into making money that is our problem."

'It used to be that size defined one's power. But the prizes will now go to people who can produce results from the least resources'

For the UK division, he believes this is a matter of reducing costs. "We have become a lot more expensive than we ought to be," he says. The purchasing of fuel, equipment and other materials has been pooled and managers are being encouraged to share assets more.

Mr Murphy is also intent on transforming the management culture. The UK division has been split into 12 separate operating companies, each with its own balance sheet and profit-and-loss account. "The people running these businesses are now asking 'do we really need to pay that £100,000 printing bill?'"

And in a thinly veiled swipe at the group's notorious empire-building, he says: "It used to be that size defined one's power – the more trucks you had, the bigger a player you were. But the prizes will now go to the people who can produce results from the least resources."

He admits that the loss-making European division is an even bigger headache, and one that will take longer than a year to turn round. The task is to forge its recent acquisitions, many of which are small regional businesses, into national networks.

The North American division needs the least surgery. Mr Murphy believes it is well placed to provide high-quality logistics services.

NFC's troubles have had venture capitalists circling the group, in expectation that some of the businesses will be spun off.

Mr Murphy will only give a few hints of his long-term plans. He talks approvingly of how focused the US business is and how free it is from historical baggage. He adds: "We do not have a disposal agenda, but the virtue of the reorganisation is that we will have a better understanding of what value each business is creating."

He makes a strong case for keeping Lynx, the parcels business, which many view as a disposal candidate: "It is very much part of a logistics portfolio. If we did not have Lynx, we would have to hire in some Lynx-like services."

Mr Murphy is less convincing in defining a role as a core NFC activity for Pickfords, the removals business which has suffered from the housing downturn. "It involves many of the same service disciplines as a logistics business," he claims. However, analysts feel Pickfords has greater potential to become a high-margin business than Lynx.

Gerry Murphy: attempting to transform management culture

The City breathed a sigh of relief when NFC announced last month that it had pulled out of negotiations to buy Lep International, a freight-forwarding business. Mr Murphy says Lep was a good strategic fit, as it would have allowed NFC to offer a more complete service to clients who want goods moved around the world.

However, given that NFC is striving to cut costs and boost the bottom line, many analysts and competitors were surprised to see it bidding for e company with 6,000 staff which had annual sales of £1.2bn and reported 1994 operating profits of £4.4m.

With the publication last month of another disappointing set of results, the honeymoon has ended for Mr Murphy. So far he has impressed observers. But as one analyst commented: "NFC's problems have not just been about management credibility but about the credibility of the businesses. And that is much more difficult to solve."

Expansion for Albert E Sharp

Albert E Sharp, the Birmingham-based stockbroker, has bought the Brown Shipley private client stockbroking business from Guinness Peat for £6m-£7m ($11m).

Sharp, the largest institutional broker outside London, said the deal would make it the biggest UK stockbroker with no outside shareholders. It will have about £4.5bn of funds under management and £35m revenues.

Brown Shipley will bring Sharp an expanded regional network.

Sema buys rest of Tibet for FFr92m

Sema Group, the computer services company, has offered to buy for FFr91.9m the shares it does not already own in Tibet.

The company provides back-office systems for the French stock market.

The outstanding shares amount to 51 per cent of the issued capital and are owned by about 20 French institutions.

Acceptances reported by December 31 resulted in Sema owning 71.44 per cent of Tibet.

Hickson US disposal to Tessenderlo completed

Hickson International, the West Yorkshire-based chemicals group, has completed the sale of Hickson Kerley, its US performance chemical offshoot to Tessenderlo, the Belgian group. The consideration is $30m plus e further $4.75m for incremental working capital.

The proceeds, paid in cash, will be used to reduce borrowings.

The shares were unchanged at 77p. In November after warning of losses for 1995, estimated by analysts at up to £30m, the shares fell 12p to 87p.

The sale does not include a production site in California.

Unigate acquires Booker bacon side

By Patrick Harverson

Booker, the foods group, has sold its two bacon businesses to rival Unigate for £20.3m ($31m) cash.

The proceeds from the disposal will be used to reduce debt. After the sale is completed, debts should stand at between £125m and £130m, Booker said.

Gearing will be just under 70 per cent, roughly where it was at the end of 1994.

The bacon and pork processing businesses sold to Unigate – Stocks Lovell of Evesham in Worcestershire and Lovell & Christmas of Ballymoney, Northern Ireland – generated profits of £2.4m in 1994 on turnover of £83.7m.

Booker said it expected turnover at the two companies to have grown slightly last year, but profits to have fallen because of higher raw materials costs. In particular, strong demand for pigs in Northern Ireland had pushed up pig prices there by as much as 25 per cent during the year.

The two businesses were sold because Booker wanted to concentrate on its food distribution, fish processing and agribusiness interests.

The remaining prepared food businesses are also likely to be sold, said Mr John Kitson, finance director, although he said no further disposals were imminent.

Booker also provided an update on trading conditions, reporting that UK food distribution sales over the Christmas period had been "satisfactory".

It added that group sales for the year as a whole were up 13 per cent on 1994's figures and up 6.5 per cent on a like-for-like basis.

The shares rose 7p to 365p.

Yodogawa Steel Works, Ltd.

Notice to the holders of Notes and to the holders of Warrants of the outstanding U.S.$300,000,000 1¾ per cent. Notes due 1997 with Warrants to subscribe for shares of common stock of Yodogawa Steel Works, Ltd.

Notice is hereby given that at a Meeting of the holders of the above Notes (the "Noteholders") convened by Yodogawa Steel Works, Ltd. and held on 21st December, 1995 the resolution proposed in the Notice to Noteholders published in the Financial Times and the Luxemburger Wort on 29th November, 1995 was duly passed as an Extraordinary Resolution.

Notice is further hereby given pursuant to Clause 13(B) of the Paying and Warrant Agency Agreement dated 23rd December, 1993 that by written notice dated 20th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that Yasuda Bank and Trust Company (U.S.A.) has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Trust Deed dated 23rd December, 1993 relating to the Notes, a Deed of Appointment and Retirement of Trustee dated 22nd December, 1995, the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement and minutes of the Meeting of Noteholders held on 21st December, 1995 may be inspected at the specified office of any of the Agents given below.

Trustee
Yasuda Bank and Trust Company (U.S.A.)
666 Fifth Avenue,
Suite 802,
New York, N.Y. 10103.

Paying Agents

Fuji Bank (Luxembourg) S.A., Centre Financier, 29 Avenue de la Porte-Neuve, L-2227 Luxembourg

Asahi Bank (Schweiz) AG, Stockerstrasse 14, 8002 Zürich.

Daiwa Bank (Deutschland) GmbH, Im Trutz Frankfurt 55, 60322 Frankfurt am Main.

The Fuji Bank, Limited, 26 Avenue des Champs-Elysées, 75008 Paris.

The Yasuda Trust and Banking Company, Limited, 1 Liverpool Street, London EC2M 7NH.

Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.

3rd January, 1996 — Yodogawa Steel Works, Ltd.

COMPANY NEWS: UK

Calor in $31m investment in Latin America

By Tim Burt

Calor Group, the supplier of bottled and bulk gas, is expanding its operations in Latin America with a $31m (£20.1m) investment in Supergasbras Distribuidora de Gas, Brazil's fourth largest distributor of liquefied petroleum gas.

The UK group's investment has been matched by SHV Energy, its joint venture partner in SHV Calor Brazil - a business set up last year to establish a significant presence in that market.

Together, Calor and SHV are spending $62m for 49 per cent of the combined common and ordinary shares in Supergasbras and 50 per cent of the voting rights.

Supergasbras suffered pretax losses of $4.2m for 1994.

The deal follows the acquisition in August of a majority stake in Minasgas, Brazil's fifth largest bottled gas supplier.

Although it plans to operate Supergasbras and Minasgas as separate companies, Calor yesterday said it would encourage the rival suppliers to draw up a co-operation arrangement for the future.

Each year, the two Brazilian companies supply a combined total of 1.35m tonnes of liquefied petroleum gas to more than 40m people.

The latest investment represents the single largest deal since Calor announced plans in July to spend £70m on projects in Asia and Latin America in conjunction with SHV Energy, the privately-held Dutch group which has a controlling interest in Calor.

Mr John Taylor, financial controller at Calor, said the group has about £40m to spend on other projects, mainly in Asia.

The strategy has been designed to reduce Calor's dependence on the UK market for liquefied petroleum gas, where demand has been hit by exceptionally mild weather.

Such weather conditions forced Calor to issue a profits warning last November, when it said profits this year were unlikely to match the £48.8m achieved last time.

Buy-back puts Forte defence ahead on points

David Blackwell on the latest round in the catering group's battle against Granada's £3.26bn hostile bid

In boxing terms, Forte seems to have pulled ahead of Granada on points with the publication of its defence document yesterday.

"They are pulling out all the stops," said one institutional shareholder. The defence against the £3.26bn hostile bid from the television and catering group was "much more creative and surprising than we were expecting".

Another described the document from the besieged hotels group as "one of the most professional I have seen," giving a rounded picture of the group's brands, assets, prospects and the derivation of its profits.

Much of the content, including the profits forecast of £190m and the upward revaluation of the hotels to £3.35bn, has emerged during the past week. But the scale of the proposed share buy-back took most observers by surprise.

The announcement of the deal to sell its roadside businesses to Whitbread, the brewing and leisure group, for £1.05bn was made just a week ago today. Since then, Forte has been working flat out to make the most of the situation.

The group is planning to buy back about 20 per cent of its shares in a range from 330p to 400p. At the minimum price this will give investors with

Tony Andrews

Fortress Forte: presenting the group's defence documents are Patrick Copeland, group director, hotels; David Owen, human resources director; Sir Rocco Forte, chairman; Keith Hamill, finance director; and Richard Power, communications director

100 shares £84 in cash, including tax credits. They will retain 79 shares.

The buy-back will serve to underpin Forte's share price should the bid fail.

A plan to distribute to shareholders its stake in the Savoy hotel group is worth 23p a Forte share. It was seen as an effective solution to Forte's lack of control over the Savoy in spite of a majority stake.

While the 21 per cent increase in the dividend for this year was welcomed, the pledge to continue increasing it by 20 per cent for the next three years was seen as something of a hostage to fortune in a cyclical industry. Nevertheless, Sir Rocco Forte, chairman, was clearly enjoying the battle yesterday. He believes that the hotel cycle traditionally runs over eight years - and Forte is poised to enjoy the benefits of an upswing that is only just beginning.

"We are at the early stages of the recovery in the cycle," he said. The sale of the restaurants to Whitbread had given the group "considerable financial flexibility, a good structure, better financial ratios and the wherewithal to invest".

The document is already predicting savings of £24m a year following the disposal as the marketing and sales management of the group is simplified. The group is also expecting to raise £168m from the sale of its remaining stake in Alpha Airports, the airline caterer, and the White Hart hotels chain, which came close to a deal just before Christmas.

Critics point out that such restructuring changes are part of Granada's plans for the whole group. But Forte's disposal plans run counter to Granada's argument that synergies could be obtained between the hotels and the roadside restaurant businesses, which include Little Chef and Happy Eater.

Sir Rocco is convinced that the focused hotels group will prove a much better investment, pointing out that high operational gearing enables 55 per cent of extra sales to be converted into profit.

For the first time shareholders can see in the document the profits breakdown of the hotel brands that would be the foundation of the new Forte. The breakdown confirms criticisms about the top hotels making inadequate returns - they account for nearly a third of total assets but are expected to generate operating profits of just £27m this year from a total of £186m.

However, apart from Paris, the hotels as a whole are showing 28 per cent growth this year. Meridien, acquired just over a year ago from Air France, and the main platform for international expansion, is expected to contribute £43m, up from a previous £26m.

Analysts yesterday were divided on whether Forte had done enough to defeat Granada's attack. "It is going to be a fine decision," said one.

Granada is offering four new shares plus £23.25 cash for every 15 Forte shares, with a fully underwritten cash alternative of 321.67p. At yesterday's closing price of 842p, the offer values Forte at £3.26bn.

The expectation is that the offer will be raised at the beginning of next week - although this looks by no means certain. If Mr Gerry Robinson, Granada chief executive, wanted to play safe, he would increase the offer, one analyst said.

"But if he's a real hard man, he could leave it where it is and still win."

New rules allow ground-breaking offer

By David Wighton

Forte's proposed repurchase of 20 per cent of its shares breaks new ground. Not only would it be the largest share buy-back in the UK it would also be the first to be conducted by way of a tender since Reuters bought £350m of its shares in 1993.

At the time, Reuters' scheme was seen as the ideal method of returning value to shareholders. It was equitable, in that all shareholders could participate. It was tax efficient, because tax-exempt shareholders could claim a tax credit on most of the repurchase price. It was also, unlike a special dividend, voluntary.

But for companies looking to emulate Reuters there was a snag. The Inland Revenue refused to give any similar schemes tax clearance.

This was because the Revenue believed that the system had been abused. The structure of the Reuters scheme, with a lengthy period between the announcement of the buy-back and the record date for qualification, allowed institutions to buy shares for the sole purpose of selling them back to the company and gaining the tax credit.

When Boots subsequently asked for clearance for a similar £500m buy-back the Revenue declined. Instead, Boots bought the shares through the market, prompting what was described as an "unseemly scramble" from institutions keen to sell but preventing its private shareholders from participating.

Since the Boots case, the Treasury has clarified the rules allowing Forte to go ahead.

A key difference from the Reuters case is that Forte is proposing to buy back the shares at the prevailing market price rather than a predetermined level.

Although Forte has not been given tax clearance it is believed that current shareholders will, other things being equal, qualify for tax credits on shares they sell to the company. For shares bought after yesterday's announcement the Revenue is likely to be less generous.

FirstBus £2m expansion

By Krishna Guha

FirstBus, the UK's second largest bus group, is buying a 20 per cent stake in Mainline Partnership, a Sheffield bus company, for £2m following the government's decision not to refer the purchase to the Monopolies and Mergers Commission.

Mainline originally sold the 20 per cent stake to Stagecoach, the country's largest bus operator. The deal was abandoned after Mr Jonathan Evans, then corporate affairs minister, ruled that Stagecoach, which operates East Midlands Motor Services nearby, would have "material influence" over the business.

Mr Trevor Smallwood, executive chairman of FirstBus, said the deal represented a "good strategic opportunity" to build up presence in the conurbations of Sheffield, Rotherham and Doncaster. He said if the opportunity arose to increase the stake, FirstBus would be "very happy to consider it".

Mr Peter Sephton, managing director of Mainline, said he was delighted the deal had been approved but he had been surprised by the original ruling on Stagecoach.

The purchase of the Mainline stake is the second in three months by FirstBus; in October the company bought People's Provincial, a Hampshire bus company, for £4.1m.

Mainline, which runs 800 vehicles and has annual turnover of £52m, was formed by a management-employee buy-out in 1993. Mr Sephton said it was "quite clear that we would need a partner to develop the business" and compete with the publicly funded Sheffield tram system.

Boardroom row breaks out at Water Hall

By Peggy Hollinger

A board battle over strategy has broken out at Water Hall, formerly Starmin, pitting some of the quarrying company's longest-standing shareholders, the Abdullah family, against the chairman appointed a year ago after a rescue refinancing.

Holders of 10.4 per cent of the shares have requisitioned an extraordinary meeting to depose Mr Edward Weiss as a director and non-executive chairman in favour of Mr Anthony Smith, a former governor of Wolverhampton University.

Mr Raschid Abdullah, one of the four directors, is understood to favour the sale of the company's main quarrying site. However, Mr Weiss said yesterday he was not prepared to abandon the strategy of expanding the aggregates business, which had the support of bankers and was proving profitable.

Mr Weiss said he had the support of Mr Stuart Larnder, chief executive, and Mr Barry Croucher, a director.

Two of the three investors who have called the EGM represent the interests of Mr Raschid Abdullah and his brothers, Ahmed and Osman.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dalkeith Inns ϕ	6 mths to Nov 12	2.15	(1.48)	0.008	(0.052)	-	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ϕAim stock.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh (Reserve Price for Trading on 02.01.96)	Pool purchase price £/MWh (Final Prices for Trading on 03.01.96)	Pool selling price £/MWh
0030	9.02	20.03	20.43
0100	9.04	26.15	26.54
0130	13.18	26.15	26.54
0200	13.18	26.15	26.54
0230	13.18	26.15	26.54
0300	13.18	20.03	20.43
0330	13.18	20.03	20.43
0400	9.48	20.03	20.43
0430	8.99	20.03	20.43
0500	8.99	20.03	20.43
0530	9.00	31.19	31.99
0600	9.01	31.19	31.99
0630	9.01	31.20	31.60
0700	12.73	34.10	34.87
0730	17.64	40.43	42.54
0800	25.28	49.83	53.48
0830	25.08	55.25	50.60
0900	26.44	56.44	60.97
0930	25.91	54.70	58.38
1000	31.62	54.71	58.94
1030	45.15	56.23	60.74
1100	45.22	59.92	65.33
1130	45.21	70.14	76.41
1200	53.25	88.78	95.25
1230	53.11	88.12	91.55
1300	33.51	84.04	90.34
1330	26.75	66.17	71.73
1400	26.75	66.03	71.64
1430	25.78	66.49	72.16
1500	26.85	66.02	71.38
1530	27.29	72.49	78.42
1600	31.83	167.94	188.89
1630	86.14	549.89	611.65
1700	141.23	880.89	949.67
1730	151.69	965.67	1024.12
1800	112.79	706.96	760.24
1830	59.25	381.23	419.08
1900	43.42	212.34	234.67
1930	39.82	124.41	137.07
2000	34.34	78.98	85.24
2030	25.96	48.48	51.27
2100	25.27	38.50	39.71
2130	25.26	33.65	34.51
2200	25.10	33.19	33.62
2230	25.20	31.72	32.12
2300	9.03	31.71	32.11
2330	8.99	31.71	32.11
2400	6.96	31.71	32.11

CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

Greece invites bids for six oil concessions

By Kerin Hope in Athens

Greece has invited bids from foreign companies for six concessions for onshore and offshore oil exploration in areas of western Greece where seismic studies and test drilling have shown promising results.

The three onshore blocks are in the north-west Peloponnese, Aetolo-Acharnania and near Ioannina, where seismic research has indicated the existence of oil-bearing levels, according to state-owned exploration company DEP-EKY.

The offshore blocks are in the Ionian Sea, off Katakolo in the north-west Peloponnese, in the Patras Gulf and off the island of Paxi.

The concessions were offered under a new law bringing Greece into line with the rest of the European Union. Under the new arrangements, DEP-EKY would take a 12 per cent stake in each concession, with the remainder being made available to foreign companies oil and private Greek investors.

The deadline for submitting proposals for test drilling is the end of May. Companies that have already shown interest include Chevron, BP, Texaco, Exxon and Occidental Petroleum, according to DEP-EKY.

However, DEP-EKY said it did not plan to invite bids for test drilling in the north-eastern Aegean, where output at the Prinos field off the island of Thassos has declined to less than 10,000 barrels a day.

The North Aegean Petroleum Company, an international consortium led by Denison Mines of Canada, which has operated the Prinos concession since 1974, has been unable to exploit other oil and gas fields off Thassos because of a dispute between Greece and Turkey over oil in the Aegean.

MARKET REPORT

Copper prices at fresh lows

COPPER prices fell to 14-month lows at the London Metal Exchange yesterday, dragging most other base metals down with them.

Technically inspired selling in thin market conditions drove the three months delivery price to a 14-month low of $2,630 a tonne before it ended the after hours "kerb" session at $2,629, down $28 from last Friday.

Three months NICKEL fell $430, or 5 per cent, to a 7½-month low as stop-loss selling orders were triggered.

Compiled from Reuters.

Unnatural selection

Care is needed to ensure the survival of crop and livestock varieties

By David Richardson

Biodiversity - governments advocate it; conservationists demand it; many farmers claim it is common practice on their holdings. But what is it?

The word is relatively new - it is not even mentioned in my ancient dictionary - and may mean different things to different people.

In a general sense commitment to biodiversity means behaving in such a way as to ensure the survival of species. We try to play our part on our farm by such measures as laying down grass strips around field margins; by allowing hedges to grow through the summer as havens for birds and insects and only trimming them in winter after the berries have been eaten; by attempting to farm in tune with nature and not in opposition to it.

But growing specific crops for sale for pre-determined uses is by definition to reduce biodiversity. Moreover in our farming, as distinct from our conservation activities, the closest we can get to applying it is to grow a variety of crops in rotation. There is nothing new in that of course - the four-course rotation of wheat, turnips, barley and clover hay, reputedly developed in my own county of Norfolk, was being followed more than two centuries ago. Its practitioners realised that by alternating cereal crops with roots and grass over a four-year period they not only maintained soil fertility but greatly reduced the spread of diseases in the cereals.

Today, in the age of chemical control of disease, the rotation we use on our farm still means that we do not grow more than two white straw crops in succession before returning to a non-cereal break crop of, say, roots or oilseed rape. The main reason remains the same as in the 18th century - to try to minimise the spread of pests and diseases. This has economic as well as ecological advantages as it reduces the need for expensive chemical sprays.

We try to enhance biodiversity further by the selection, wherever possible, of a mixture of crop varieties. There are some types of wheat, for instance, which are susceptible to certain strains of debilitating leaf diseases, such as yellow rust. Other varieties succumb to other strains. By growing a number of varieties with different susceptibilities it is possible, indeed advisable, for each farmer to limit his risk to a bad attack of one particular type of disease.

It has to be conceded, however, that the right variety mix to limit the potential damage of possible pest and disease patterns may not always be the same as for highest yield and best marketable quality.

That, of course, is the weakness; farmers' legitimate and understandable desire to optimise profits. That and the fact that the wonders of science now allow us to select for yield and cash return in a far more sophisticated way than ever before. Let there be no mistake, science has been, and remains, the farmer's and the consumer's friend. It has increased food production, improved quality and improved value for money in ways that have been crucial to agricultural success and consumer cost and choice. But such is its power today that a degree of caution is called for.

The greatest dangers probably lie in animal breeding, especially in species such as poultry and pigs which, at practical farm level, are capable of the fastest generation turnover. Because of the development of computer-aided breeding programmes it is possible for geneticists to select for desirable traits from a small number of apparently ideal animals and get results more quickly than ever before. But if in so doing they neglect to select for old fashioned virtues such as good legs, resistance to disease and a desire to reproduce, they are in danger of producing animals that may have incredible performance potential and quality characteristics but cannot stand, will not breed and tend to lie down and die.

Most of the calves in the world may soon be related to just a few dozen superior bull families as breeders select from an ever-reducing gene pool

I am exaggerating, of course, and specialist breeders will always claim to avoid such pitfalls. Nevertheless, there is evidence to suggest that such problems have occurred and where they do I believe it is a direct result of selection from an ever reducing gene pool and too little use of that vital ingredient - the stockman's eye. In other words the science was OK but there was human error in applying it.

I have also become aware of the possibility of a similar phenomenon with cows. All over the world milk producers have recognised the superior milking qualities of the Holstein Friesian breed. It has been developed, largely in North America, from original Dutch stock exported across the Atlantic many years ago. Today the breed dominates world milk production.

Moreover, in their search for ever greater milk yields as cow generation succeeds generation, dairy farmers seek out the best bulls in the world. Through the marvel of superovulation, whereby each superior cow can produce 20 to 30 eggs a year to be fertilised in test tubes and inserted in the wombs of host cows, and by the now virtually universal use of artificial insemination, whereby one bull can father tens of thousands of calves in his lifetime, the opportunity exists to produce vast numbers of near "perfect" calves.

The danger is, however, that most of the calves in the world may soon be related to just a few dozen superior bull families. Furthermore, because all breeders are seeking to produce to the same ideal, they will be selecting from an ever-reducing gene pool. All of which is fine while the results are as planned; the cow herd of the world gives more milk every year; and there are no unexpected problems. But suppose one of those elite bulls had a congenital defect that did not show itself for a generation or two? Such is the potential influence of a single animal these days that the result could be catastrophic on a world scale.

The experts tell me that safeguards are in place and such an accident cannot happen. I hope they are right. Meanwhile, here on this farm we will seek, so far as is possible, given commercial demands, to broaden the gene pool from which we select our breeding pigs and employ some traditional values alongside the science continuously to improve the pigs we produce.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 29 1995 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY DECEMBER 28 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	190.03	10.7	161.47	123.61	141.41	168.91	15.4	3.93	190.10	161.11	123.29	141.32	169.64	191.65	157.95	174.21
Austria (26)	174.33	-4.5	165.67	112.81	129.67	128.78	-11.6	1.81	174.46	166.21	113.15	129.87	129.79	186.29	167.48	182.56
Belgium (34)	209.14	24.2	199.72	136.37	155.63	181.76	14.8	3.45	208.89	199.01	135.49	155.50	181.55	209.14	166.52	168.21
Brazil (28)	137.93	-15.5	131.71	89.94	102.64	248.76	-3.0	1.79	137.93	131.28	89.44	102.66	246.79	163.17	86.06	165.07
Canada (101)	148.44	14.1	141.75	96.79	110.46	140.80	11.6	2.54	147.80	140.81	95.86	110.03	140.64	150.83	121.81	126.02
Denmark (33)	288.77	14.7	275.76	188.29	214.88	217.65	4.4	1.50	287.68	274.08	186.59	214.16	216.82	295.99	248.10	253.00
Finland (25)	187.07	0.5	178.64	121.98	139.20	170.45	-7.8	1.88	186.28	177.47	120.82	138.69	170.48	276.11	171.13	185.91
France (100)	179.41	8.7	171.32	116.99	133.50	137.63	0.5	3.18	179.44	170.95	116.38	133.88	137.82	181.17	157.78	163.65
Germany (60)	163.69	14.2	156.32	106.74	121.81	121.81	5.5	1.98	164.99	157.16	107.01	122.82	122.82	167.74	139.11	141.35
Hong Kong (55)	387.70	18.9	370.23	252.80	288.50	384.87	18.8	3.79	384.38	366.22	249.31	288.18	381.54	389.39	277.40	326.07
Ireland (16)	255.51	23.9	244.00	166.61	190.14	234.62	18.4	3.41	254.18	242.16	164.86	189.22	222.84	260.87	204.97	205.77
Italy (59)	73.70	-2.1	70.38	48.06	54.85	87.23	-4.3	1.67	73.62	70.14	47.75	54.81	87.08	82.71	65.45	73.57
Japan (483)	154.93	-1.3	147.95	101.02	115.29	101.02	2.1	0.76	155.13	147.80	100.62	115.49	100.62	164.62	138.85	158.71
Malaysia (108)	485.13	1.2	463.27	316.34	361.00	474.39	0.6	1.74	483.33	460.47	313.48	359.81	472.09	561.96	398.18	477.78
Mexico (18)	1035.78	-26.9	989.10	675.38	770.74	8725.66	14.4	1.59	1045.05	995.62	677.80	777.98	8769.47	1435.21	847.81	1438.21
Netherland (19)	272.72	25.7	260.43	177.83	202.94	198.54	18.2	3.27	272.88	259.79	176.86	203.00	198.43	272.74	214.99	216.69
New Zealand (14)	78.68	13.1	75.07	51.26	58.27	64.69	10.7	4.49	78.31	75.55	51.44	59.04	64.49	80.74	70.77	[illegible]
Norway (33)	231.28	8.3	220.86	150.81	172.10	198.34	1.4	2.11	230.43	219.54	149.45	171.54	197.66	243.76	208.76	211.08
Singapore (44)	407.22	9.2	388.87	265.53	303.03	283.44	5.9	1.52	402.60	383.75	261.25	299.86	280.22	414.26	313.94	374.66
South Africa (45)	395.33	14.4	357.98	251.25	299.75	307.03	2.4	3.86	369.16	388.60	250.93	296.02	306.47	392.24	281.06	336.00
Spain (36)	165.19	25.2	157.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	164.00	156.24	106.27	122.08	110.76	165.16	124.10	129.44
Sweden (47)	312.09	35.0	298.03	203.50	232.24	306.20	20.4	1.96	311.60	296.87	202.10	231.97	306.89	321.09	229.29	229.20
Switzerland (40)	235.99	42.9	225.35	153.88	175.60	166.85	25.6	1.58	235.99	224.82	153.05	175.67	168.35	235.99	162.35	164.71
Thailand (46)	169.28	6.4	160.68	109.72	125.21	164.61	6.8	2.48	167.23	159.33	108.47	124.50	163.45	184.56	130.15	155.15
United Kingdom (205)	230.54	18.3	220.16	150.33	171.55	220.16	10.2	4.14	230.22	218.33	149.32	171.39	219.33	230.80	191.53	194.24
USA (636)	251.28	33.8	239.93	163.85	186.96	251.28	33.6	2.24	250.44	238.59	162.43	186.43	250.44	256.02	187.76	188.55
Americas (786)	228.93	31.4	218.67	149.31	170.39	192.47	32.0	2.24	228.26	217.47	148.08	169.92	191.85	230.76	173.81	174.69
Europe (734)	200.87	18.9	191.82	130.98	149.47	169.90	12.8	3.07	200.67	191.37	130.28	149.38	168.60	200.01	167.08	168.03
Nordic (138)	278.60	23.9	263.37	187.54	205.23	233.74	11.0	1.89	275.10	262.09	178.42	204.78	232.60	265.02	222.22	223.60
Pacific Basin (831)	165.23	0.6	157.78	107.74	122.95	111.37	3.2	1.18	165.29	157.46	107.19	123.03	110.89	171.87	147.98	161.75
Euro-Pacific (1565)	179.57	8.3	171.96	117.35	133.92	133.62	7.0	2.06	179.99	171.48	116.74	133.90	133.27	180.68	154.73	165.68
North America (740)	244.69	33.0	233.66	159.55	182.23	244.24	32.6	2.25	244.09	232.55	158.31	181.71	243.42	246.83	182.15	184.58
Europe Ex. UK (529)	180.44	19.2	172.31	117.66	134.27	142.54	8.3	2.48	180.08	172.04	117.12	134.50	142.70	180.70	149.63	150.50
Pacific Ex. Japan (348)	264.58	11.1	252.66	172.52	196.88	233.15	11.8	3.16	263.22	250.78	170.72	195.96	231.81	266.72	211.16	236.10
World Ex. US (1757)	180.68	8.1	172.73	117.95	134.60	137.35	6.9	2.10	180.91	172.35	117.33	134.67	137.01	181.59	155.42	166.87
World Ex. UK (2191)	199.57	16.7	190.57	130.13	148.50	165.23	10.8	1.98	199.31	189.68	129.27	148.37	164.78	199.78	163.46	170.97
World Ex. Japan (1913)	229.10	24.8	218.77	149.38	170.47	214.12	22.5	2.61	228.61	217.80	148.27	170.16	213.61	229.10	181.50	183.68
The World Index (2396)	202.29	18.9	193.17	131.90	150.53	170.12	15.9	2.16	202.03	192.47	131.03	150.39	169.64	202.52	165.92	173.03

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local).

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1675-76	1697-98
Previous	1682-83	1704-5
High/low	1694/1674.5	1700/1695
AM Official	1674-74.5	1697.5-98.0
Kerb close		1695-6
Open int.	225,832	
Total daily turnover	36,184	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1455-65	1495-98
Previous	1470-80	1510-20
High/low		1500/1496
AM Official	1460-65	1495-505
Kerb close		1490-5
Open int.	1,030	
Total daily turnover	5,207	

■ LEAD ($ per tonne)

Close	695-97	698-99
Previous	717-18	715.5-16.5
High/low	699	711/693
AM Official	698-99	697.5-98.5
Kerb close		695-6
Open int.	7,802	
Total daily turnover	31,543	

■ NICKEL ($ per tonne)

Close	7525-35	7650-55
Previous	7925-35	8040-50
High/low	7700	7990/7530
AM Official	7701-2	7825-35
Kerb close		7580-600
Open int.	17,376	
Total daily turnover	38,010	

■ TIN ($ per tonne)

Close	6285-95	6295-300
Previous	6330-40	6335-40
High/low		6325/6290
AM Official	6298-300	6305-10
Kerb close		6290-300
Open int.	4,505	
Total daily turnover	13,540	

■ ZINC, special high grade ($ per tonne)

Close	997.5-98.5	1019-20
Previous	1003.5-4.5	1026-7
High/low		1025/1014
AM Official	997-98	1016.5-16.5
Kerb close		1020-21
Open int.	11,087	
Total daily turnover	79,400	

■ COPPER, grade A ($ per tonne)

Close	2605-10	2629-30
Previous	2625-7	2656-58
High/low	2616/2615	2653/2616
AM Official	2614-16	2632-33
Kerb close		2629-30
Open int.	67,751	
Total daily turnover	164,780	

■ LME AM Official £/$ rate: 1.5504
LME Closing £/$ rate: 1.5487
Spot: 1.5565 3 mths: 1.5531 6 mths: 1.5491 9 mths: 1.5456

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	123.40	-2.70	125.75	123.40	448	2,733
Feb	121.10	-2.45	122.80	121.25	101	1,131
Mar	118.70	-2.45	119.90	117.85	3,913	18,509
Apr	118.00	-2.25	118.30	117.10	8	526
May	115.60	-1.55	117.50	115.50	609	3,463
Jun	115.00	-1.50	116.00	116.00	0	-
Total					5,285	35,303

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	388.00-388.40		
Opening	387.10-387.50		
Morning fix	387.10	250.145	446.288
Afternoon fix	388.15	250.08	449.274
Day's High	389.00-389.60		
Day's Low	386.90-387.30		
Previous close	388.00-388.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.11	6 months	3.09
2 months	3.10	12 months	3.07
3 months	3.09		

Silver Fix	p/troy oz.	US cts equiv.
Spot	332.75	516.50
3 months	336.35	522.50
6 months	342.95	528.45
1 year	352.25	540.00

Gold Coins	$ price	£ equiv.
Krugerrand	390-391	250-251
Maple Leaf	397.70-400.20	-
New Sovereign	90-92	58-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	391.9	+3.8	392.0	388.0	9,350	52,112
Apr	393.9	+3.8	394.0	389.8	417	15,760
Jun	395.9	+3.7	396.0	392.1	510	23,392
Aug	397.9	+3.6	394.5	394.5	10	-
Oct	399.9	+3.5	-	-	247	3,282
Dec	402.0	+3.4	409.9	398.7	65	10,598
Total					10,861	142,179

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	404.8	+6.6	405.0	398.0	1,727	1,293
Apr	408.3	+6.4	409.0	401.5	5,020	18,610
Jul	410.0	+6.4	408.9	403.5	65	2,367
Oct	411.7	+6.4	410.0	410.0	171	1,366
Jan	413.3	+6.4	-	408.0	5	54
Total					6,988	22,698

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	133.25	+3.60	133.75	130.00	254	5,559
Jun	134.75	+3.60	-	-	12	634
Dec	137.25	+3.60	-	-	-	3
Total					254	8,129

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Jan	534.3	+18.0	521.0	512.0	99	101
Mar	539.0	+18.3	540.0	518.0	11,358	63,389
May	543.7	+18.4	544.0	522.5	101	9,980
Jul	548.9	+18.4	549.0	529.5	81	7,603
Sep	552.3	+18.5	542.0	533.5	10	8,889
Dec	558.6	+18.5	560.0	547.0	3	5,248
Total					11,652	98,565

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	19.63	+0.08	19.65	19.41	23,548	84,323
Mar	19.13	+0.07	19.15	18.98	9,730	46,427
Apr	18.71	+0.03	18.72	18.62	3,374	23,328
May	18.40	+0.01	18.40	18.30	1,900	15,577
Jun	18.17	-0.01	18.18	18.09	1,644	35,853
Jul	18.00	-0.01	18.00	17.94	633	16,469
Total					42,870	363,364

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	18.44	+0.11	18.55	18.27	15,085	67,894
Mar	17.89	+0.10	18.00	17.76	14,778	31,424
Apr	17.49	+0.11	17.51	17.37	1,843	13,514
May	17.13	+0.05	17.10	17.13	6,330	6,628
Jun	16.95	+0.09	16.98	16.87	1,380	10,510
Jul	16.73	+0.03	16.76	16.73	40	4,972
Total					34,718	143,845

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	59.55	+0.93	59.75	58.50	26,933	62,451
Mar	56.65	+0.78	56.65	55.90	4,929	23,708
Apr	52.85	+0.43	52.86	52.30	632	5,340
May	50.40	+0.16	50.50	50.20	498	6,927
Jun	49.45	+0.23	49.45	49.20	715	8,125
Jul	49.00	-0.02	49.05	48.85	466	4,712
Total					58,330	126,834

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	176.25	-3.50	181.00	175.50	9,395	32,773
Feb	172.00	-1.75	175.25	171.50	9,248	27,824
Mar	166.00	-1.25	168.25	166.00	1,462	8,622
Apr	160.50	-0.50	161.50	160.00	500	4,066
May	157.75	-0.50	159.00	158.00	174	1,522
Jun	155.50	-0.50	156.50	155.25	607	5,773
Total					20,423	89,046

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.685	+0.266	2.690	2.750	10,831	37,824
Mar	2.295	-0.100	2.295	2.260	3,699	23,151
Apr	1.965	+0.064	2.000	1.940	1,620	15,910
May	1.895	+0.059	1.870	1.820	763	13,273
Jun	1.795	+0.039	1.800	1.765	274	10,650
Jul	1.770	+0.029	1.775	1.750	248	8,078
Total					18,382	162,783

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	58.70	+0.56	58.75	58.00	9,503	29,836
Mar	56.95	+0.30	57.05	56.55	3,866	11,805
Apr	58.20	-	58.25	58.20	835	5,742
May	57.60	-	57.60	57.60	305	5,067
Jun	-	-	-	-	220	2,883
Jul	56.15	+0.20	56.25	56.05	169	3,033
Total					22,830	61,832

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	124.60	+0.60	124.75	124.75	20	453
Mar	126.50	+0.40	127.25	126.50	72	2,553
May	128.60	+0.60	129.25	128.65	22	3,384
Jul	130.65	+1.15	-	-	-	414
Sep	115.00	+1.15	-	-	-	78
Nov	116.70	+0.55	116.75	116.75	52	905
Total					166	7,804

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	508.50	-3.75	517.00	508.00	8,768	53,990
May	479.00	-	487.50	479.00	1,585	8,654
Jul	446.00	+6.25	447.00	440.00	3,161	29,320
Sep	447.00	+7.75	447.25	440.50	239	5,389
Dec	452.75	+6.75	453.50	446.00	776	2,798
Jul	385.00	+3	385.00	385.00	-	76
Total					14,544	100,236

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	373.25	+4	375.25	370.25	47,814	291,045
May	376.00	+4.5	377.75	372.00	11,933	77,962
Jul	372.75	+5	373.75	368.75	10,274	73,634
Sep	315.25	+2.5	316.00	314.00	2,748	16,848
Dec	297.25	+2.5	298.25	295.25	5,901	39,721
Mar	302.50	+2.5	303.00	300.75	75	2,046
Total					78,826	702,256

■ BARLEY LCE (£ per tonne)

Jan	115.50	+0.50	115.50	115.50	5	247
Mar	117.50	-0.50	117.50	117.50	7	851
May	116.40	-	-	-	-	419
Sep	109.25	-	-	-	-	20
Nov	111.00	-	-	-	5	61
Total					17	1,598

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	748.50	+13.25	751.50	737.50	10,877	15,614
Mar	758.25	+13.5	762.00	747.50	30,886	101,247
May	762.25	+13.5	766.00	752.00	3,578	22,712
Jul	762.25	+13.75	765.00	751.50	5,516	26,835
Aug	757.00	+14.25	753.50	748.00	123	1,993
Sep	723.00	+6	730.00	721.00	117	2,152
Total					55,879	396,879

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	25.05	-0.08	25.17	24.96	5,126	5,438
Mar	25.44	+0.09	25.59	25.37	7,882	40,765
May	25.85	+0.12	25.95	25.75	2,775	13,545
Jul	26.11	+0.14	26.22	26.00	1,645	10,112
Aug	26.22	+0.16	26.35	26.30	120	2,401
Sep	26.30	+0.05	26.55	26.30	22	979
Total					18,178	79,157

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	237.3	+4.1	239.5	234.5	3,312	9,285
Mar	241.1	+4.5	243.5	237.5	11,866	57,833
May	241.2	+4.7	243.0	238.0	2,004	12,774
Jul	242.2	+4.9	242.0	237.5	1,644	12,991
Aug	236.7	+4	238.0	233.0	122	1,889
Sep	229.0	+2	230.0	228.0	138	1,490
Total					19,886	108,286

■ POTATOES LCE (£/tonne)

Mar	200.0	-70.0	-	-	-	-
Apr	228.5	-9.5	235.0	229.0	139	1,115
May	270.0	-3.0	-	-	-	6
Jun	225.0	-	-	-	-	-
Total					139	1,146

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jan	1585	-	1585	1580	2	1,072
Feb	1563	+6	-	-	-	210
Apr	1516	-3	-	-	-	1,362
Jul	1325	-8	1325	1325	2	890
Oct	1418	-2	-	-	-	210
Jan	1453	-	-	-	-	22
Total					4	3,666

	Close	Prev
BFI	1588	1604

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,250-3,300 (3,300-3,400). Bismuth: min. 99.99%, tonne lots 3.95-4.25. Cadmium: min. 99.95%, 180-195 (180-200) cents a pound. Cobalt: MB free market, 99.8%, 31.75-33.00 (32.00-33.50); 99.3%, 27.25-28.50 (28.40-28.80). Mercury: min. 99.99%, $ per 76 lb flask, 150-170. Molybdenum: drummed molybdic oxide, 4.30-4.50 (4.30-4.55). Selenium: min 99.5%, 3.80-4.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 55-62 (60-68). Vanadium: min. 98%, cif, 3.10-3.25. Uranium: Nuexco exchange value, 10.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	900	+1	900	894	370	35,368
May	920	-	920	916	75	14,881
Jul	938	-1	939	935	117	7,662
Sep	958	-1	958	954	722	29,199
Dec	976	-2	977	972	279	7,434
Mar	993	+4	995	990	588	20,063
Total					2,877	120,062

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1271	+13	1272	1253	2,274	38,665
May	1294	+10	1297	1279	451	15,854
Jul	1318	+8	1321	1303	203	5,606
Sep	1342	+12	1342	1324	84	8,530
Dec	1371	+9	1357	1355	1	8,097
Mar	1399	+17	-	1382	247	5,312
Total					3,271	89,223

■ COCOA (ICCO) (SDR's/tonne)

Dec 29	Price	Prev. day
Daily	909.57	906.13

■ COFFEE LCE ($/tonne)

Jan	1910	-96	2015	1905	1,090	3,653
Mar	1718	-37	1760	1712	1,810	15,090
May	1613	-18	1642	1610	439	7,249
Jul	1562	-9	1590	1563	43	3,137
Sep	1551	-4	1570	1550	28	1,413
Nov	1540	-3	1570	1547	7	407
Total					3,423	30,969

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	91.25	-3.95	94.80	91.10	2,360	18,596
May	90.55	-3.30	93.80	90.40	636	4,973
Jul	90.85	-3.15	92.75	90.75	94	1,910
Sep	91.30	-2.90	93.50	91.00	24	1,217
Dec	91.00	-3.00	93.10	91.00	22	738
Mar	90.65	-4.35	-	93.50	0	210
Total					3,145	27,674

■ COFFEE (ICO) (US cents/pound)

Dec 29	Price	Prev. day
Comp. daily	93.10	92.75
15 day average	98.23	98.84

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	10.90	-	-	-	-	-
May	11.10	-	-	-	-	-
Jul	11.10	-	-	-	-	-
Oct	11.10	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

Mar	362.5	+8.7	363.0	354.0	1,479	14,650
May	348.0	+5.7	348.0	342.8	941	7,204
Aug	337.0	+4.1	337.0	332.9	203	3,949
Oct	313.5	+4.2	313.5	312.1	3	3,717
Dec	308.0	+4.2	308.0	304.4	8	1,616
Mar	307.9	+5.9	307.0	304.0	11	398
Total					2,645	31,949

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.83	+0.23	11.86	11.62	3,018	81,144
May	11.39	+0.17	11.40	11.23	809	26,538
Jul	10.57	+0.12	10.60	10.44	553	18,904
Oct	10.25	+0.06	10.28	10.16	587	18,066
Mar	10.02	+0.03	10.03	9.95	195	11,979
May	9.87	-0.13	9.90	9.80	100	1,658
Total					5,389	157,923

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	80.67	-0.38	81.35	80.00	4,524	26,511
May	80.27	-0.20	80.70	80.20	1,035	9,837
Jul	79.79	-0.26	80.20	79.65	829	7,315
Oct	78.62	-0.06	78.60	78.50	00	1,620
Dec	76.57	-	76.70	76.50	201	8,432
Mar	77.65	+0.10	-	-	-	950
Total					6,748	57,774

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	118.25	+2.25	118.70	117.00	1,916	3,249
Mar	122.25	+1.70	122.90	120.55	2,274	12,725
May	125.90	+1.45	125.80	124.50	394	1,961
Jul	127.60	+1.10	128.35	128.00	42	699
Sep	130.10	+0.70	130.90	130.90	75	1,004
Nov	129.75	+1.30	129.75	129.75	-	323
Total					4,708	21,168

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 2	Dec 29	month ago	year ago
2090.4	2092.2	2147.8	

■ CRB Futures (Base: 1967=100)

Dec 29	Dec 28	month ago	year ago
243.18	242.63		

■ GSCI Spot (Base: 1970=100)

Dec 29	Dec 28	month ago	year ago
203.50	201.69	188.25	179.63

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	66.000	-0.425	66.625	65.900	5,704	30,282
Apr	65.975	-0.400	66.375	65.800	1,659	16,725
Jun	62.025	-0.075	62.100	61.700	1,336	9,436
Aug	60.875	-0.150	61.025	60.675	667	4,046
Oct	62.650	-0.100	62.775	62.525	410	3,523
Dec	63.300	-0.075	63.350	63.100	329	1,722
Total					10,326	65,749

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	47.075	-1.500	47.075	47.075	283	14,986
Apr	46.450	-1.500	46.450	46.450	135	6,824
Jun	51.700	-1.500	51.700	51.700	92	5,695
Jul	51.175	-1.150	51.300	50.825	9	2,599
Aug	50.400	-0.800	50.600	49.700	35	2,277
Oct	46.175	+0.400	46.350	45.000	112	078
Total					792	33,962

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	58.275	-2.000	58.275	58.275	238	4,419
Mar	56.100	-2.000	56.100	58.100	53	981
May	57.000	-2.000	57.000	57.000	21	551
Jul	58.100	-2.000	58.100	58.100	10	629
Aug	54.650	-2.000	54.650	54.650	2	157
Total					332	6,747

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	Apr	Feb	Apr
1600	88	122	7	23
1700	25	62	43	61
1800	3	26	121	123
■ COPPER (Grade A) LME	Feb	Apr	Feb	Apr
2600	121	87	24	96
2700	60	49	63	157
2800	24	-	126	-
■ COFFEE LCE	Mar	May	Mar	May
1500	-	179	18	68
1550	-	-	26	-
1600	-	-	40	-
■ COCOA LCE	Mar	May	Mar	May
850	57	61	7	11
875	39	63	14	16
900	25	48	23	28
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1750	-	60	-	-
1800	36	33	-	44
1850	15	10	-	74

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$17.15-7.27w	+0.145
Brent Blend (dated)	$19.04-9.06	+0.330
Brent Blend (Feb)	$18.44-8.46	+0.150
W.T.I.	$19.60-9.62w	+0.215

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$175-177	+1
Gas Oil	$180-101	-5
Heavy Fuel Oil	$110-112	
Naphtha	$170-172	+8
Jet fuel	$206-208	-3
Diesel	$185-186	-3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

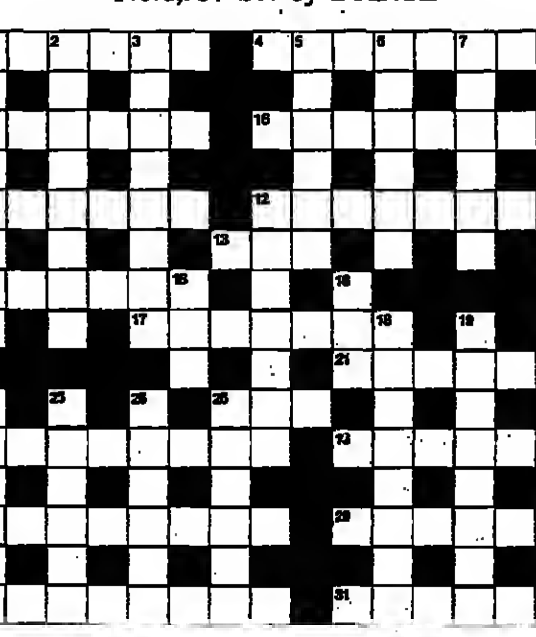
Gold (per troy oz)♣	$389.20	+2.15
Silver (per troy oz)♣	525.50c	+11.00
Platinum (per troy oz.)	$400.00	+1.75
Palladium (per troy oz.)	$129.50	+1.00
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	10.77m	
Tin (New York)	298.5c	+1.0
Cattle (live weight)†	120.46p	-
Sheep (live weight)†♠	124.08p	-
Pigs (live weight)†	115.89p	-
Lon. day sugar (raw)	$312.4	+0.8
Lon. day sugar (wte)	$372.5	+0.5
Barley (Eng. feed)	£117.75	
Maize (US No3 Yellow)	151.0z	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	108.50p	+1.00
Rubber (Feb)♥	108.50p	+1.00
Rubber (KL RSS No1)	398.50m	+2.5
Coconut Oil (Phil)§	$720.0y	-5.0
Palm Oil (Malay.)§	$580.0z	
Copra (Phil)§	464.0u	
Soyabeans (US)	211.0	
Cotton Outlook'A' index	85.60c	-0.90
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Dec/Jan. ♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,957 Set by DANTE



ACROSS
1 Exercise out, the way to acquire a heavenly body (6)
4 Said sale was fixed and became aggressive (8)
9 Simple chap on dole, unfortunately (6)
10 Criticise article about Roman temple (8)
11 Sign of a pressing need (6)
12 Ardent, he may be following a cause (8)
13 Look for a mole (3)
14 Banishes to former French islands (6)
17 Media make a stand about false statement (7)
21 Site includes a splendid residence (6)
25 A British winter visitor (3)
26 Dance performed by N. African in the desert (8)
27 Possibly take work inside Kansas state capital (6)
28 Conduct to overcome a prison sentence (4,4)
29 Weapon in bad repair (6)
30 Soldiers on ship accept rough seas or think again (8)
31 Asked for breakfast in bed (6)

DOWN
1 Dad arrested - took fright (8)
2 A distressed condition (8)
3 Went into service (8)
5 Quiet chap's drink (6)
6 Aggressive branch of the animal kingdom (6)
7 Made eyes red although out of the wind at first (6)
8 Point has a need to be put differently (6)
12 A couple of pages to praise and praise (7)
15 Medical bag (3)
16 Go up and down (3)
18 A base got destroyed by enemy action (8)
19 Creating concoctions in the kitchen (8)
20 Working again in a new partnership? (8)
22 Met line of equal pressure (6)
23 All the wrong impressions (6)
24 A beast in distress lowers (6)
25 I'm included in an American's hostility (6)

Solution to Saturday's prize puzzle on Saturday January 13.
Solution to yesterday's prize puzzle on Monday January 15.

هكذا من الاصل

Zantac to be displaced as top drug, says report

By Daniel Green

Zantac, the world's best-selling drug since the mid-1980s, will virtually disappear by 2000, displaced by newer drugs, according to a report published yesterday.

Zantac, the ulcer drug made by Glaxo Wellcome of the UK, will be replaced at the top by a rival, Losec, made by Sweden's Astra, says Lehman Brothers, the securitiee house, in its Pharma Pipelines review of the global drugs industry.

Losec, known as Prilosec in the US, will bave annual sales of $4bn by 2000. Sales in 1994 were $2.2bn.

Zantac's sales will fall from $3.7bn in 1994 to $700m in 2000 as patents expire and competition drives down prices and sales volumes.

The Lehman report forecasts that it will be outside the top 40 best sellers.

The anti-depressant Prozac, made by US company Eli Lilly, will enter the top five in 2000 with sales of $3bn. In 1994 it brought in $1.7bn, making it the seventh best seller in that year.

Also rising will be Erythropoetin (Epo), developed by Amgen, the US biotechnology company, and which is licensed out to several other drugs companies.

Epo boosts red blood cells and is used to treat anaemia in conditions including kidney dialysis, cancer, surgery and Aids.

Sales of Epo are forecast to rise from $2.1bn in 1994 to $3.5bn in 2000 as the drug moves from fourth to second in the league table of best-sellers.

Chasing the top five is Zoloft, an anti-depressant made by Pfizer of the US and chemically related to Prozac. It is forecast to move from 37th place to seventh by 2000. Sales will rise from $718m to $2bn.

Apart from Zantac, there are several older drugs likely to sell much less well by 2000 as competition from newer drugs increases and their patents expire.

Among those losing ground will be Cardizem, the blood pressure drug from Germany's Hoechst. Annual sales will fall from $1.6bn to $1bn by 2000 as the drug falls from ninth to 25th place.

Capoten, the blood pressure drug made by US company Bristol Myers Squibb, will have sales of $750m compared with $1.5bn in 1994.

Voltaren, a pain killer and anti-inflammatory used in arthritis and made by Swiss company Ciba, will fall from 16th place to 46th as sales decline from $1.2bn in 1994 to $750m in 2000.

The report also forecasts further mergers and acquisitions in the drugs industry. It says that the rate of new product launches is unlikely to provide the cashflow to justify current levels of spending on research and development.

Five best-selling drugs in 1994

Drug	Type	Company	Sales/$bn
Zantac	Ulcer	Glaxo Wellcome (UK)	3.7
Procardia	Heart	Pfizer (US)/Bayer (Ger)	2.3
Losec/Prilosec	Ulcer	Astra (Swe)/Merck (US)	2.2
Epogen/Eprex	Blood	Amgen (US)/J&J (US) & others	2.2
Vasotec	Heart	Merck/Banyu (Jap)	2.1

Five best-selling drugs in 2000 (forecast)

Drug	Type	Company	Sales/$bn
Losec/Prilosec	Ulcer	Astra/Merck	4
Epogen/Eprex	Blood	Amgen/J&J/Chugai (Jap)	3.5
Prozac	Depression	Eli Lilly (US)	3
Zocor/Lipovas	Cholesterol	Merck	2.5
Norvasc/Istin	Heart	Pfizer	2

Source: Lehman Brothers

Sanctuary in second US foray

By Conner Middelmann

Sanctuary, the UK Housing Association, has made its second successful foray in the US capital markets, raising $80m via a privete placement in late December.

The transaction followe a $75m private placemeut in November 1994. The deals – both with 17-year maturities – have been swapped into sterling, and are the first international bond issues by a UK housing association. Both were arranged by Hambros Bank.

The latest offering was priced to yield 105 basis points over the equivalent US Treasury bond – 15 points tighter than the yield spread on the previous issue. According to Mr David Knowlton, Sanctuary director of finance, three of the six US institutions which invested in the issue already held bonds from the previous offering.

"I believe this demonstrates the comfort they have with Sanctuary Housing and also with the UK housing movement as a whole," he said.

With over 22,000 units in management across the country, Sanctuary Housing is one of the largest developers of social housing in the UK.

US Treasury prices slip in early trading

By Lisa Bransten in New York and Antonia Sharpe in London

US Treasury prices slipped in early trading yesterday, but the long-bond yield remained below 6 per cent as traders took some profits while eyeing Washington for signs of progress in budget negotiations.

Near midday, the benchmark 30-year Treasury bond was down $\frac{7}{32}$ at 112¾ to yield 5.982 per cent and the two-year note was $\frac{1}{32}$ lower at 100$\frac{1}{32}$, yielding 5.183 per cent.

Some traders said the market's decline represented disappointment that the White House and the Congress failed to agree a deficit-cutting budget package over the new year weekend. Others attributed the slip to consolidation in the wake of last week's rally that sent the 30-year bond yield well below 6 per cent.

Bonds jumped briefly off their session lows after the National Association of Purchasing Management said its index of business activity rose modestly to 47.3 per cent in December from 46.5 per cent in November. December's figure was less than the consensus estimate that the NAPM figure would hit 47.8 per cent.

Ms Marilyn Schaja, an economist at Donaldson Lufkin & Jenrette, called the report "favourable from a bond market perspective" because of declines in the prices paid and new orders components of the index.

The NAPM figures were paid particular attention because there have not been any government statistics for more than a week because of the government shutdown caused by the budget impasse in Washington.

■ The UK government bond market lost about a half-point soon after the opening in the wake of the defection of the Conservative MP Miss Emma Nicholson to the Liberal Democrats.

Analysts said that the defection heralded a difficult year for the government and forecast that the gilts market was likely to remain nervous as a result.

GOVERNMENT BONDS

"There are a number of potential flashpoints this year, including two by-elections and local elections," said Mr Don Smith, UK economist at HSBC Markets.

A stronger pound failed to support gilts, which were also unnerved by buoyant December M0 data. Analysts said the figures upset the market because they backed up expectations of strong consumer spending which could in turn prevent further base rate cuts. In addition, the market still tended to associate higher consumer spending with rising inflation, analysts said.

By contrast, gilts could find some support if yesterday's rumours that today's December purchasing managers' report would be weaker than previously expected.

On Liffe, the March long gilt future fell by ½ to 110$\frac{19}{32}$ in turnover of about 29,000 contracts. The yield spread over Germany rose to 160 basis points from 153 points before the new year break.

■ Elsewhere in Europe, government bond markets were generally stronger on the first day of trading in 1996, in particular the high-yielders – where investors sought to make gains through spread trading.

Mr Mark Capleton, international bond strategist at BZW, said the prospect of slowing economic growth in Europe also supported bonds.

In Italy, government bonds rose by one point, causing the yield spread over Germany to narrow by about 10 basis points to 475 points, ou the back of a firmer lira.

The stage-managed nature of the latest political negotiations also impressed the market, dealers said.

French government bonds rose by about a half-point on hopes of further rate cuts. The yield spread over Germany was little changed at 62 basis points compared with 63 points on the last day of trading in 1995.

Several issues launched but response subdued

By Conner Middelmann

Several new issues hit dealers' ecreens yesterday, but the response was subdued, with many investors still formulating 1996 investment strategies.

INTERNATIONAL BONDS

"I have not heard a murmur of interest anywhere – most of our clients are spending this week in asset-allocation meetings," said one official.

Although activity is expected to pick up next week, tight swap spreads in the US dollar market will continue making issuance there difficult.

"Given swap market conditions, it is hard to find any issuer with institutional appeal," said another dealer.

Most triple-A rated borrowers would have to issue bonds yielding flat on Treasuries in the three-year sector or at five to 10 basis points over Treasuries for five years if they wanted to hit their sub-Libor funding targets, he explained.

"The only thing you can do right now are deals targeted at retail investors who have reinvestment needs and are less spread-sensitive than institutions."

That was the thinking behind yesterday's two dollar deals, a $300m five-year bond for GECC and $250m of three-year bonds for the National Australia Bank.

The GECC deal was priced to yield 10 basis points over Treasuries – tight, but in line with other outstanding bonds in that maturity. According to lead manager Union Bank of Switzerland, the bonds saw some institutional demand from UK investors, and are otherwise aimed at Swiss and Benelux retail investors.

The NAB issue, priced to yield 12.5 basis points over Treasuries, was also targeted et retail investors and lead manager ABN Amro Hoare Govett said it would get placed over the coming weeks.

The only area that still offers decent swap arbitrage, five-year D-Marks, saw its first jumbo offering of the year: DM1bn of 5 per cent bonds for DSL Finance, the funding arm of the triple-A rated German municipal financing agency, via joint book-runners Deutsche Bank and Salomon Bros.

Launched early in the day, the bonds, priced to yield 32 basis points over German government notes, were targeted et Asian institutions and European retail investors.

Meanwhile, the market was abuzz with rumours about a planned issue – possibly a global bond – by Walt Disney, which is expected to borrow up to $5bn this year towards its $19bn acquisitiou of Capital Cities/ABC last summer.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
GECC	300	5.50	99.896R	Jan.2001	0.25R	+10(5¾%-00)	UBS
National Australia Bank	250	5.375	99.88R	Feb.1999	0.20R	+12¼(5¾%-99)	ABN Amro Hoare Govett
D-MARKS							
DSL Finance	1bn	5.00	99.40R	Jan.2001	0.25R	+32(5¼%-00)	Deutsche/Salomon Brothers
Suedwest LB Capital Markets	500	5.575	99.91R	Feb.2002	0.275R	+13(6¾%-01)	ABN Amro/UBS Germany
STERLING							
Banque Indosuez	100	(a)	99.78	Jan.1999	0.16	-	Barclays de Zoete Wedd
GUILDERS							
Rabobank Nederland	500	6.125	99.31R	Feb.2006	0.325R	+18(6%-06)	Rabobank Nederland
Rabobank Nederland	500	5.25	100.02R	Feb.2001	0.25R	+13(6%-01)	Rabobank Nederland
Crédit Local de France	500	5.75	99.94R	Feb.2003	0.30R	+17(7%-03)	ABN Amro Hoare Govett
FRENCH FRANCS							
GECC	2bn	6.625	99.67R	Jan.2006	0.325R	+17(6¾%-04)	Banque Paribas
ECUS							
CCCE‡	150	(b)	99.961R	Jan.1998	0.10R	-	Paribas Capital Markets
AUSTRALIAN DOLLARS							
SocGen Australia	100	7.75	101.27	Feb.2001	2.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +1/8%. b) 3-mth Libor flat.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.2700	+2.090	8.19	8.35	8.43
Austria		6.500	11/05	101.4300	+0.480	6.30	6.42	6.78
Belgium		6.500	03/05	98.7900	+0.090	6.67	6.78	6.83
Canada *		6.750	12/05	111.5100	-0.240	7.11	7.32	7.55
Denmark		8.000	03/06	105.6200	+0.280	7.20	7.42	7.58
France	BTAN	7.750	04/00	107.4650	+0.195	5.90	5.92	6.15
	OAT	7.750	10/05	108.0800	+0.210	6.61	6.77	7.02
Germany Bund		6.500	10/05	103.7700	+0.400	5.97	6.12	6.35
Ireland		8.250	10/04	92.3500	-0.050	7.46	7.59	7.77
Italy		10.500	09/05	100.3700	+1.010	10.43†	10.89	11.34
Japan	No 129	6.400	03/00	118.3810	-0.180	1.70	1.48	1.40
	No 174	4.600	09/04	111.8080	-0.010	2.90	2.74	2.76
Netherlands		6.750	11/05	105.6500	+0.440	5.97	6.13	6.38
Portugal		11.875	02/05	112.8500	+0.900	9.88	9.93	10.70
Spain		10.150	01/06	102.8400	+1.060	9.57	9.81	10.57
Sweden		6.000	02/05	85.1980	+0.348	8.39	8.66	8.98
UK Gilts		6.000	12/00	104-19	-9/32	6.86	6.88	7.16
		8.500	12/05	107-09	-7/32	7.44	7.55	7.77
		9.000	10/08	111-10	-8/32	7.60	7.70	7.89
US Treasury *		5.875	11/05	101-29	-3/32	5.62	5.77	5.93
		6.875	08/25	112-04	-	5.99	6.13	6.26
ECU (French Govt)		7.500	04/05	103.9800	+0.540	6.90	7.09	7.40

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.00	Two year	5.22
Prime rate	8½	Two month	5.18	Three year	5.27
Broker loan rate	7¾	Three month	5.12	Five year	5.43
Fed.funds	5$\frac{11}{16}$	Six month	5.19	10-year	5.62
Fed.funds at intervention	-	One year	5.17	30-year	5.99

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	120.40	120.76	+0.60	120.88	120.36	63,704	115,772
Jun	120.68	121.16	+0.56	121.16	120.66	737	4,922
Sep	118.76	120.16	+0.44	120.18	118.76	117	815

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
118	-	2.98	-	-	0.16	-
119	-	2.20	-	0.16	0.27	-
120	-	1.48	-	0.39	0.45	-
121	0.50	0.90	1.71	0.78	0.75	1.16
122	0.19	0.51	-	-	1.18	-

Est. vol. total, Calls 17,608 Puts 7,867. Previous day's open int., Calls 115,767 Puts 112,132.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.41	99.75	+0.41	99.86	99.41	73263	189773
Jun		99.06	+0.40			0	2069

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9950	0.61	0.91	0.77	1.09	0.36	0.66	1.19	1.51
10000	0.36	0.66	0.57	0.88	0.61	0.91	1.49	1.80
10050	0.19	0.46	0.41	0.70	0.94	1.21	1.83	2.12

Est. vol. total, Calls 27481 Puts 10632. Previous day's open int., Calls 149192 Puts 127224

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108.30	109.14	+1.14	109.38	108.25	27946	52036
Jun	107.80	108.64	+1.14	108.75	107.80	155	1236

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10900	1.61	2.38	1.47	2.74
10950	1.35	2.15	1.71	3.01
11000	1.12	1.94	1.98	3.30

Est. vol. total, Calls 3856 Puts 1794. Previous day's open int., Calls 42825 Puts 30731

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.75	96.38	+0.87	96.52	95.68	35,951	45,352

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-30	110-16	-0-09	110-30	110-07	42344	132540
Jun		110-00	-0-09			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
110	1-09	1-35	1-57	2-05	0-57	0-63	1-37	2-05
111	0-38	1-02	1-09	1-42	1-02	1-30	2-00	2-42
112	0-17	0-41	0-53	1-18	1-45	2-05	2-50	3-18

Est. vol. total, Calls 2120 Puts 2743. Previous day's open int., Calls 16041 Puts 14612

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.32	90.74	+0.60	90.78	90.32	1,926	6,286

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	121-09	121-11	-0-04	121-13	120-29	119,887	367,778
Jun	120-29	120-29	-0-06	121-01	120-17	1,161	17,190
Sep	120-15	120-13	-0-05	120-15	120-02	114	5,871

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.41			119.55	119.28	559	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 2	Day's change %	Fri Dec 29	Accrued interest	xd adj. ytd		Low coupon yield Jan 2	Low Dec 29	Low Yr. ago	Medium coupon yield Jan 2	Medium Dec 29	Medium Yr. ago	High coupon yield Jan 2	High Dec 29	High Yr. ago
1 Up to 5 years (23)	122.97	-0.17	123.30	1.93	0.12	5 yrs	6.95	6.89	8.73	6.97	6.91	8.73	7.04	6.97	8.94
2 5-15 years (21)	150.21	-0.28	150.62	1.94	0.00	15 yrs	7.66	7.61	8.61	7.70	7.65	8.74	7.78	7.72	8.95
3 Over 15 years (8)	166.38	-0.60	166.40	1.64	1.02	20 yrs	7.75	7.69	8.65	7.79	7.73	8.74	7.84	7.77	8.67
4 Irredeemables (6)	191.39	-0.98	193.28	1.31	0.00	Irred.†	7.86	7.78	8.60						
5 All stocks (58)	144.81	-0.31	145.47	1.92	0.21										

Index-linked							Inflation 5% Jan 2	Dec 29	Yr. ago	Inflation 10% Jan 2	Dec 29	Yr. ago
6 Up to 5 years (1)	196.93	+0.12	196.69	1.65	0.00	Up to 5 yrs	2.48	2.47	4.11	1.24	1.26	2.87
7 Over 5 years (11)	189.11	+0.26	188.62	0.79	0.00	Over 5 yrs	3.51	3.52	3.88	3.31	3.33	3.69
8 All stocks (12)	189.15	+0.25	188.67	0.81	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 2	Dec 29	Dec 28	Dec 27	Dec 22	Yr ago	High*	Low*
Govt. Secs. (UK)	95.52	95.94	95.92	95.75	95.42	90.77	96.22	90.22
Fixed Interest	114.62	114.75	114.68	114.32	114.23	109.53	115.04	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 29	Dec 28	Dec 27	Dec 22	Dec 21
Gilt Edged bargains	28.6	45.8	45.0	42.8	76.4
5-day average	47.6	57.1	66.1	73.7	81.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 2

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99½	99⅝		5.48
Abbey Natl Treasury 6½ 00	1000	102⅜	102⅝	+⅛	6.08
ABN Amro Bank 7¼ 05	1000	107⅛	107⅜	+¼	6.33
African Dev Bk 7⅜ 23	500	107½	108⅛	-⅛	6.76
Sweden 6 97	2500	107	107⅛		3.97
United Kingdom 7¼ 97	5500	105⅞	105¾		3.86
Volkswagen Intl Fin 7 03	1000	104½	104¾	+⅛	6.21
World Bank 0 15	2000	29¼	29⅝	+⅛	6.35
World Bank 5⅞ 03	3000	100½	100⅝	+⅛	5.79
Abbey Natl Treasury 8 98 £	1000	101¼	101½	-⅛	7.76
Alliance Leics 11⅞ 97 £	100	105¾	106⅛	-⅛	6.71
British Land 8⅞ 23 £	150	94¼	95½	-⅛	9.63
Denmark 6¾ 98 £	800	99⅞	100	-⅛	6.78
EIB 6 08 £	1000	102½	102¾	-⅛	7.54

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Europe's high-yielders get off to a good start

By Philip Gawith

The lira and the peseta were the star performers yesterday as currency markets kicked off the new year taking their cue from the bond markets.

It was a case of continuing where last year finished off, with investors still clearly intent on pursuing the favourable yields on offer in the higher yielding bond markets. The peseta rose to Pta84.55 against the D-Mark, its highest level in a year, while the lira appeared to break decisively below L1,100 against the D-Mark, finishing at L1,094, its strongest level in three months, notwithstanding uncertainty about the shape of government.

Volumes, however, were predictably low, so traders and analysts were wary about extrapolating trends.

The dollar had a mixed start to the year, with a sedate performance against the D-Mark offset by continued strength against the yen. The dollar finished in London at Y103.965, from Y103.155, its highest level for 5½ months, save for a brief upward blip in early November. Against the D-Mark it finished at DM1.4347, from DM1.4313.

Sterling had a steady day, notwithstanding renewed political woes for the prime minister Mr John Major who entered the new year with his parliamentary majority trimmed further still. It was helped by the generally weak tone of the D-Mark, closing at DM2.2335, from DM2.2222. Against the dollar it finished at $1.5568, from $1.5526.

The sang-froid shown by the currency did not extend to interest rate markets, with gilts and short sterling contracts losing ground as markets eased back on their expectations of cuts in interest rates. The June 1996 short sterling contract finished at 93.83, after opening at 93.90.

■ Trade in the dollar was light, with Japanese markets closed until Thursday. Sentiment, however, was buoyed by rumours that Japanese exporters were lightening their dollar sell orders, in anticipation of further yen weakness.

The technical outlook is bullish. Mr Brian Marber, an independent technical analyst in London, is predicting that the dollar is set to embark on its next upswing against the yen, with the initial target of Y108. His "no time limit" target is for Y120-130.

"The important point to bear in mind," said Mr Marber, "is that between September's peak and 27th December, the dollar unwound the largest three month overbought condition I have ever recorded while only falling a net Y1.45: only very strong rates perform such feats."

Policy considerations do not necessarily coincide with this view. Mr Carl Weinberg, chief economist at High Frequency Ecooomics in New York, argues that there is "official interest at the Bank of Japan and Ministry of Finance to cap the dollar below Y104 from now through March. Higher levels prior to end-March will trigger accounting rules no one wants invoked."

After that, Mr Weinberg sees the BOJ engineering a move to Y118 in April with money flowing out of Japan into offshore bonds, anticipating an earnings sweetener through yen depreciation.

Against the D-Mark, analysts were busy debunking the myth of the "January effect", which says that the dollar always rallies in January. Mr Marber says: "Since 1988, when it last underwent a major change of character, the dollar has always experienced large moves during the first two weeks of January, sometimes but not always in the direction taken during the first one/three trading days."

Going back eleven years, Mr Weinberg concludes that "statistically speaking, the odds are 50-50 of the dollar moving either way."

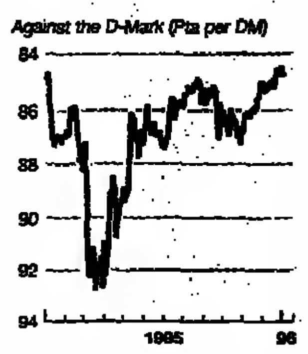
Mr Marber, though, takes comfort from the charts. He notes that since the dollar rallied off a low around DM1.35 in April, it reached a peak in September of DM1.4918, an advance of only 10.5 per cent off the low, compared to a normal 27 per cent rally.

■ Sterling's predicament was described by Mr Jeremy Hawkins, chief economist at the Bank of America in London, as "a worry, but not a disaster story."

He said it was quite possible that the government would lose its absolute majority before the year was out, but he doubted whether the Ulster Unionists, on whose support the government depends, would be party to driving the government from office.

Peseta

Against the D-Mark (Pta per DM)



Source: FT Extel

■ **Pound in New York**

Jan 2	— Latest —	— Prev. close —
£ spot	1.5555	1.5510
1 mth	1.5542	1.5498
3 mth	1.5522	1.5476
1 yr	1.5406	1.5375

■ **OTHER CURRENCIES**

Jan 2	£	$
Czech Rp	41.4205 - 41.4547	26.6130 - 26.6230
Hungary	212.309 - 212.482	136.410 - 136.460
Iran	4671.30 - 4669.20	3000.00 - 3000.00
Kuwait	0.4635 - 0.4652	0.2991 - 0.2994
Poland	3.8428 - 3.8476	2.4690 - 2.4710
Russia	7242.07 - 7246.50	4651.00 - 4656.00
U.A.E.	5.7165 - 5.7194	3.6728 - 3.6731

WORLD INTEREST RATES

MONEY RATES

January 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.45	-	5.95
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.45	-	5.85
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.75
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.50
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.67
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.40
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.40
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	-	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	-	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	-	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	-	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.45	5.38	5.28	5.17	-	-	-
week ago	-	5.45	5.25	5.25	5.20	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5 - 4¾
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	8½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	8½ - 9¼	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible] - 6½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible] - 5½	[illegible] - 5½	[illegible] - 5½	[illegible] - 5½	[illegible] - 5½	[illegible]
US Dollar	[illegible]	[illegible] - 5½	[illegible] - 5½	[illegible]	5½ - [illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	10½ - 10¼	[illegible]	[illegible]	10¼ - 10
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible] - 2¼	2½ - [illegible]	2½ - [illegible]	2½ - [illegible]	2½ - [illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.00	95.10	+0.11	95.12	95.00	19,581	48,132
Jun	95.21	95.28	+0.07	95.28	95.21	4,049	42,031
Sep	95.21	95.35	+0.14	95.36	95.21	4,798	28,733

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.47	96.48	+0.01	96.47	96.44	19219	188888
Jun	96.56	96.57	+0.02	96.59	96.55	12158	137681
Sep	96.57	96.57	+0.02	96.59	96.54	8891	114838
Dec	96.43	96.44	+0.03	96.46	96.41	6408	114520

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.19	90.28	+0.12	90.33	90.17	7965	43672
Jun	90.54	90.68	+0.18	90.68	90.54	2574	22949
Sep	90.66	90.78	+0.14	90.80	90.66	1064	13302
Dec	90.78	90.77	+0.19	90.78	90.73	345	6806

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.34	98.30	-0.02	98.34	98.29	1880	22545
Jun	98.41	98.37	-0.02	98.41	98.37	1398	12651
Sep	98.32	98.32	+0.01	98.33	98.32	485	6179
Dec	98.11	98.12	+0.05	98.11	98.11	75	550

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.10	95.09	+0.02	95.11	95.09	459	6682
Jun	95.17	95.18	+0.02	95.18	95.17	219	4424
Sep	95.16	95.12	+0.04	95.20	95.19	80	2304
Dec	95.06	95.09	+0.03	95.11	95.06	61	1601

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9025	0.34	0.74	0.93	0.31	0.31	0.40
9050	0.22	0.58	0.77	0.44	0.41	0.49
9075	0.14	0.45	0.63	0.61	0.52	0.60

Est. vol. total, Calls 1860 Puts 240. Previous day's open int., Calls 7506 Puts 4465

POUND SPOT FORWARD AGAINST THE POUND

Jan 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7122	+0.0771	042 - 202	15.7274	15.6587	15.6987	3.3	15.6247	2.2	-	-	106.5
Belgium	(BFr)	45.9164	+0.2248	952 - 345	45.9345	45.4380	45.8114	2.7	45.6314	2.5	44.9314	2.1	108.9
Denmark	(DKr)	8.6470	+0.0426	427 - 512	8.6523	8.5035	8.6354	1.6	8.619	1.3	8.5595	1.0	109.4
Finland	(FM)	6.7493	+0.0079	439 - 547	6.7547	6.7010	6.7449	0.8	6.7368	0.7	-	-	87.0
France	(FFr)	7.6244	+0.0318	208 - 279	7.6361	7.5867	7.6192	0.8	7.611	0.7	7.5648	0.8	110.8
Germany	(DM)	2.2335	+0.0113	325 - 344	2.2352	2.2104	2.2283	2.8	2.2186	2.7	2.1751	2.6	111.2
Greece	(Dr)	368.716	+1.414	556 - 877	369.125	365.129	-	-	-	-	-	-	68.3
Ireland	(I£)	0.9689	+0.0009	681 - 697	0.9692	0.9641	0.9679	1.2	0.9666	0.9	0.9633	0.6	97.8
Italy	(L)	2442.03	-21.01	098 - 309	2459.23	2426.41	2450.48	-4.2	2467.19	-4.1	2539.98	-4.0	71.8
Luxembourg	(LFr)	45.9164	+0.2248	952 - 345	45.9345	45.4380	45.8114	2.7	45.6314	2.5	44.9314	2.1	108.8
Netherlands	(Fl)	2.5006	+0.0118	993 - 019	2.5019	2.4733	2.4947	2.8	2.4843	2.6	2.4404	2.4	106.0
Norway	(NKr)	9.8678	+0.0487	501 - 855	9.8855	9.7639	9.8477	1.2	9.8262	1.3	9.745	1.1	99.1
Portugal	(Es)	232.726	+0.76	561 - 890	232.895	230.633	233.151	-2.2	234.056	-2.3	-	-	95.3
Spain	(Pta)	188.834	+0.473	729 - 939	188.944	187.284	189.319	-3.1	190.264	-3.0	194.489	-3.0	82.2
Sweden	(SKr)	10.3064	+0.017	982 - 145	10.3083	10.2122	10.3093	+0.2	10.3119	-0.2	10.3271	-0.2	87.8
Switzerland	(SFr)	1.8010	+0.0143	995 - 026	1.8016	1.7780	1.7937	4.8	1.7801	4.8	1.7231	4.4	115.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.5
Ecu	-	1.2146	+0.0023	141 - 161	1.2154	1.2080	1.2135	1.1	1.2113	1.1	1.2033	0.9	-
SDR†	-	1.042700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5565	+0.0042	561 - 569	1.5569	1.5423	-	-	-	-	-	-	-
Brazil	(R$)	1.5134	+0.0044	128 - 140	1.5164	1.4991	-	-	-	-	-	-	-
Canada	(C$)	2.1148	-0.0027	139 - 156	2.1194	2.1051	2.1135	0.7	2.1104	0.8	2.1029	0.6	84.3
Mexico	(New Peso)	11.9870	+0.0246	687 - 052	11.9740	11.8898	-	-	-	-	-	-	-
USA	($)	1.5568	+0.0042	564 - 571	1.5601	1.5420	1.5553	0.4	1.5534	0.9	1.5421	0.9	94.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0940	+0.0058	928 - 951	2.0992	2.0745	2.0955	-0.9	2.0982	-1.0	2.1158	-1.0	88.0
Hong Kong	(HK$)	12.0395	+0.0349	350 - 439	12.0646	11.9252	12.0324	0.7	12.0244	0.5	11.9978	0.3	-
India	(Rs)	54.7976	+0.0322	697 - 255	54.9000	54.3400	-	-	-	-	-	-	-
Israel	(Shk)	4.8657	+0.0033	606 - 708	4.8708	4.8408	-	-	-	-	-	-	-
Japan	(Y)	161.848	+1.695	757 - 938	162.020	158.210	161.013	6.2	159.506	5.6	153.168	5.4	138.4
Malaysia	(M$)	3.9560	+0.0141	543 - 577	3.9642	3.9210	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3831	+0.0082	813 - 849	2.3860	2.3610	2.3861	-1.5	2.3931	-1.7	2.4172	-1.4	101.6
Philippines	(Peso)	40.8376	+0.1141	068 - 681	40.8661	40.5058	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8388	+0.0159	371 - 404	5.8510	5.7836	-	-	-	-	-	-	-
Singapore	(S$)	2.2033	+0.0072	020 - 045	2.2068	2.1919	-	-	-	-	-	-	-
South Africa	(R)	5.6701	+0.0102	676 - 725	5.6811	5.6187	-	-	-	-	-	-	-
South Korea	(Won)	1207.85	+3.28	730 - 800	1210.17	1198.28	-	-	-	-	-	-	-
Taiwan	(T$)	42.4510	+0.0665	352 - 668	42.5361	42.0550	-	-	-	-	-	-	-
Thailand	(Bt)	39.2223	+0.1135	979 - 467	39.2910	38.8410	-	-	-	-	-	-	-

† Rates for Dec 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.0930	+0.0224	901 - 958	10.1060	10.0660	10.0775	1.8	10.0515	1.6	9.948	1.4	106.5
Belgium	(BFr)	29.4950	+0.065	900 - 000	29.5100	29.4050	29.443	2.1	29.355	1.8	29.05	1.5	108.6
Denmark	(DKr)	5.5545	+0.0125	530 - 560	5.5638	5.5400	5.5507	0.8	5.5445	0.7	5.562	-0.1	108.8
Finland	(FM)	4.3355	-0.0067	330 - 380	4.3575	4.3262	4.3305	1.4	4.3219	1.8	4.293	1.0	85.9
France	(FFr)	4.8976	+0.0071	964 - 988	4.9060	4.8810	4.9006	+0.8	4.9051	-0.8	4.8616	0.3	110.5
Germany	(DM)	1.4347	+0.0034	344 - 350	1.4370	1.4305	1.4324	1.8	1.4283	1.8	1.4104	1.7	110.8
Greece	(Dr)	236.850	+0.27	800 - 900	237.900	236.300	238.575	-8.7	241.775	-8.3	255.25	-7.8	65.8
Ireland	(I£)	1.6067	+0.0039	057 - 077	1.6105	1.5935	1.6072	+0.3	1.6076	-0.2	1.6037	0.2	-
Italy	(L)	1568.68	-17.77	835 - 900	1590.50	1563.25	1575.53	-5.2	1587.58	-4.6	1645.68	-4.9	70.6
Luxembourg	(LFr)	29.4950	+0.065	900 - 000	29.5100	29.4050	29.443	2.1	29.355	1.8	29.05	1.5	108.6
Netherlands	(Fl)	1.6063	+0.0032	058 - 068	1.6077	1.6019	1.6034	2.2	1.5979	2.1	1.578	1.8	106.5
Norway	(NKr)	6.3323	+0.0142	288 - 358	6.3425	6.3120	6.33	0.4	6.3219	0.7	6.3048	0.4	87.4
Portugal	(Es)	149.495	+0.105	420 - 570	149.750	145.940	149.87	-3.0	150.64	-3.1	154.245	-3.2	95.5
Spain	(Pta)	121.300	-0.02	260 - 340	121.600	120.920	121.695	-3.9	122.43	-3.7	125.92	-3.8	81.9
Sweden	(SKr)	6.6205	+0.0069	167 - 242	6.6626	6.5982	6.6376	-3.1	6.667	-2.8	6.8045	-2.8	86.6
Switzerland	(SFr)	1.1569	+0.0062	564 - 574	1.1574	1.1494	1.1533	3.7	1.1466	3.6	1.1182	3.3	115.6
UK	(£)	1.5568	+0.0042	564 - 571	1.5601	1.5420	1.5557	0.8	1.5534	0.9	1.5421	0.9	82.7
Ecu	-	1.2817	+0.001	815 - 819	1.2847	1.2773	1.282	-0.3	1.2824	-0.2	1.283	-0.1	-
SDR†	-	0.67270	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9722	+0.0002	720 - 723	0.9723	0.9720	-	-	-	-	-	-	-
Canada	(C$)	1.3585	-0.0054	582 - 587	1.3648	1.3575	1.3587	-0.1	1.3588	-0.1	1.3638	-0.4	82.9
Mexico	(New Peso)	7.7000	-0.005	900 - 100	7.7100	7.6850	7.7023	-0.4	7.7054	-0.3	7.7103	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3450	+0.0007	446 - 455	1.3455	1.3448	1.347	-1.8	1.3505	-1.8	1.3692	-1.8	86.8
Hong Kong	(HK$)	7.7337	+0.0016	332 - 342	7.7342	7.7325	7.7344	-0.1	7.7362	-0.1	7.7692	-0.4	-
India	(Rs)	35.2000	+0.035	900 - 100	35.2550	35.1670	35.35	-5.1	35.655	-5.2	37.125	-5.5	-
Israel	(Shk)	3.1256	-0.0105	230 - 281	3.1448	3.1230	-	-	-	-	-	-	-
Japan	(Y)	103.965	+0.81	930 - 000	104.000	103.170	103.5	5.4	102.64	5.1	99.21	4.6	139.8
Malaysia	(M$)	2.5412	+0.0022	407 - 417	2.5425	2.5394	2.5421	-0.4	2.5482	-1.1	2.5717	-1.2	-
New Zealand	(NZ$)	1.5307	+0.0012	300 - 316	1.5319	1.5300	1.5338	-2.4	1.5396	-2.3	1.5642	-2.2	-
Philippines	(Peso)	26.2325	+0.0025	200 - 450	26.2450	26.2200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7506	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	+0.1	-
Singapore	(S$)	1.4153	+0.0008	148 - 158	1.4158	1.4138	1.4119	3.0	1.4058	2.7	1.3808	2.5	-
South Africa	(R)	3.6423	-0.0032	415 - 430	3.6457	3.6416	3.6703	-9.2	3.7214	-8.7	3.9693	-8.9	-
South Korea	(Won)	775.750	-	700 - 800	-	-	778.75	-4.6	782.25	-3.4	800.75	-3.2	-
Taiwan	(T$)	27.2690	+0.018	650 - 730	-	-	27.289	-0.9	27.329	-0.9	-	-	-
Thailand	(Bt)	25.1950	+0.005	850 - 050	25.2050	25.1400	25.2937	-4.7	25.4875	-4.8	26.38	-4.7	-

† SDR rate per $ for Dec 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 29; Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.83	16.60	4.863	2.108	5318	5.446	21.47	506.8	411.1	22.45	3.922	2.176	4.606	3.389	352.4	2.646
Denmark	(DKr)	53.11	10	8.817	2.582	1.119	2824	2.892	11.40	269.1	218.3	11.92	2.083	1.156	2.446	1.799	187.1	1.405
France	(FFr)	60.23	11.34	10	2.929	1.270	3203	3.280	12.93	305.2	247.6	13.52	2.362	1.313	2.774	2.041	212.2	1.594
Germany	(DM)	20.56	3.872	3.414	1	0.433	1094	1.120	4.414	104.2	84.55	4.617	0.807	0.448	0.947	0.697	72.46	0.544
Ireland	(I£)	47.44	8.933	7.876	2.307	1	2523	2.584	10.18	240.4	195.0	10.65	1.861	1.033	2.185	1.607	167.1	1.255
Italy	(L)	1.880	0.354	0.312	0.091	0.040	100.	0.102	0.404	9.529	7.731	0.422	0.074	0.041	0.087	0.064	6.626	0.050
Netherlands	(Fl)	18.36	3.457	3.048	0.893	0.387	976.4	1	3.941	93.04	75.49	4.122	0.720	0.400	0.846	0.622	64.69	0.486
Norway	(NKr)	46.59	8.772	7.735	2.265	0.982	2477	2.537	10	236.1	191.5	10.46	1.827	1.015	2.146	1.579	164.1	1.233
Portugal	(Es)	19.73	3.719	3.276	0.960	0.418	1049	1.075	4.236	100.	91.13	4.431	0.774	0.430	0.909	0.669	69.53	0.522
Spain	(Pta)	24.32	4.580	4.036	1.183	0.513	1293	1.325	5.221	123.3	100.	5.461	0.954	0.530	1.120	0.824	85.70	0.644
Sweden	(SKr)	44.54	8.387	7.395	2.166	0.939	2369	2.426	9.561	225.7	183.1	10	1.747	0.970	2.051	1.509	156.9	1.176
Switzerland	(SFr)	25.50	4.801	4.233	1.240	0.537	1356	1.389	5.473	129.2	104.8	5.725	1	0.555	1.174	0.864	89.84	0.675
UK	(£)	45.92	8.647	7.624	2.233	0.968	2442	2.501	9.857	232.7	188.9	10.31	1.801	1	2.115	1.556	161.9	1.215
Canada	(C$)	21.71	4.088	3.605	1.056	0.458	1155	1.183	4.661	110.0	89.27	4.875	0.852	0.473	1	0.736	76.50	0.574
US	($)	29.51	5.557	4.900	1.435	0.622	1569	1.607	6.335	149.6	121.3	6.626	1.157	0.643	1.359	1	104.0	0.781
Japan	(Y)	28.38	5.344	4.712	1.380	0.598	1509	1.546	6.092	143.9	118.7	6.372	1.113	0.618	1.307	0.962	100.	0.751
Ecu		37.78	7.117	6.275	1.838	0.797	2010	2.058	8.113	191.5	155.4	9.486	1.482	0.823	1.741	1.281	133.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7013	0.6997	+0.0008	0.7017	0.6997	8,231	48,464
Jun	0.7047	0.7047	+0.0029	0.7047	0.7035	14	2,871
Sep	-	0.7046	-	-	-	6	1,089

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8769	0.8713	+0.0019	0.8772	0.8713	4,365	34,183
Jun	0.8841	0.8815	+0.0006	0.8848	0.8790	63	988
Sep	0.8310	0.8895	+0.0013	0.8910	0.8855	1	87

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9745	0.9730	-0.0043	0.9756	0.9726	8,953	65,963
Jun	0.9865	0.9851	-0.0039	0.9865	0.9850	186	2,154
Sep	0.9964	0.9964	-0.0037	0.9964	0.9964	51	317

■ **STERLING FUTURES** (IMM) $62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5496	1.5540	+0.0026	1.5540	1.5474	5,245	30,270
Jun	1.5480	1.5500	+0.0018	1.5500	1.5456	9	29
Sep	-	1.5444	-	-	-	1	5

UK INTEREST RATES

LONDON MONEY RATES

Jan 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 11/16 - 5	6⅝ - 6½	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	6½ - [illegible]	6½ - [illegible]	[illegible]	6¼ - [illegible]
Treasury Bills	-	-	[illegible]	6¼ - [illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible] - 6¼	[illegible]	-
Local authority deps.	[illegible]	6½ - 6⅜	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6½ - 6	[illegible] - 6⅛	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.2159pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1995 to Feb 25, 1996, Scheme II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.74	93.71	-0.04	93.75	93.70	13891	89472
Jun	93.90	93.83	-0.06	93.90	93.80	23255	60752
Sep	93.94	93.64	-0.11	93.94	93.62	13167	50426
Dec	93.83	93.72	-0.12	93.83	93.70	5277	36026
Mar	93.68	93.54	-0.15	93.68	93.53	4068	31251

Also traded on APT. All Open interest figs. are for previous day

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.26	0.45	0.57	0.05	0.12	0.23
9375	0.11	0.29	0.41	0.15	0.21	0.32
9400	0.03	0.19	0.28	0.32	0.33	0.44

Est. vol. total, Calls 14006 Puts 3425. Previous day's open int., Calls 93115 Puts 86414

EMS EUROPEAN CURRENCY UNIT RATES

Jan 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.337	+0.212	-1.94	5.78	14
Netherlands	2.15214	2.11105	+0.00249	-1.91	5.74	14
Belgium	39.3960	38.7506	+0.0327	-1.64	5.45	12
Austria	13.4383	13.2643	+0.0029	-1.29	5.08	9
Germany	1.91007	1.88546	+0.00151	-1.29	5.07	9
Denmark	7.28580	7.20302	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	195.792	196.233	-0.222	0.23	3.46	-2
France	6.40608	6.44240	-0.00261	0.57	3.14	-5
Ireland	0.792214	0.821702	+0.00122	3.72	0.00	-25
NON ERM MEMBERS						
Greece	292.867	311.665	-0.098	6.42	-2.53	-
Italy	2106.15	2061.30	-21.47	-2.13	5.98	-
UK	0.786652	0.848804	+0.001562	7.90	-3.87	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.520	3.05	3.54	4.13	0.08	0.69	1.40
1.530	2.20	2.82	3.48	0.19	0.98	1.75
1.540	1.41	2.23	2.90	0.31	1.31	2.17
1.550	0.79	1.70	2.40	0.69	1.77	2.59
1.560	0.38	1.21	1.98	1.28	2.27	3.15
1.570	0.16	0.86	1.53	2.04	2.86	3.57

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.68	94.67	-0.01	94.69	94.65	55,641	436,966
Jun	94.90	94.92	-0.01	94.94	94.88	38,518	389,951
Sep	94.98	94.99	-	95.00	94.94	27,168	250,494

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.19	95.14	+0.01	95.16	95.12	612	7,256
Jun	95.37	95.36	-	95.38	95.33	292	4,449
Sep	-	95.39	-0.02	-	-	4	133

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9625	0.21	0.23	0.25	0.40	0	0.02	0.04	0.06
9650	0.02	0.06	0.08	0.20	0.06	0.10	0.12	0.15
9675	0.01	0.01	0.01	0.10	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 4210 Puts 1792. Previous day's open int., Calls [illegible] Puts [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.13	0.24	0.23	0.05	0.12	0.22
9850	0.03	0.10	0.17	[illegible]	[illegible]	[illegible]
9875	0.01	0.03	0.09	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.50	Exeter Bank Limited	7.50	•Singer & Friedlander	6.50
AIB Bank	6.75	Financial & Gen Bank	7.50	•Smith & Williman Secs	6.50
•Henry Ansbacher	6.50	•Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.50	Girobank	6.50	United Bank of Kuwait	6.75
Banco Bilbao Vizcaya	6.50	•Guinness Mahon	6.50	Unity Trust Bank Plc	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Western Trust	6.50
Bank of Ireland	6.50	•Hambros Bank	6.50	Whiteaway Laidlaw	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	•Hill Samuel	6.50		
Barclays Bank	6.50	C. Hoare & Co	6.50	• Members of London Investment Banking Association	
Brit Bk of Mid East	6.50	Hongkong & Shanghai	6.50	* In administration	
•Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50		
Citibank NA	6.50	•Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.50		
Coutts & Co	6.50	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		•Rea Brothers	6.50		

COMPANY NOTICES

CONTRACTS & TENDERS

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LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cv 2nd Pf		50½	–	58	30¼	6.31	16.8	–
Cater Allen		425xd	+1	525	418	138.5	8.8	7.0
Close Bros		320	+2	*349½	216¼	380.7	3.4	14.2
Gerrard & Nat		444	–	490	395	216.7	6.3	14.3
Hambros		209	+3	253	180	369.5	4.5	–
7½pc Cv Pf		99	–	112	94	127.5	0.0	–
Joseph (L)		449xd	–	463	353	23.7	5.2	25.0
King & Shaxson		144xd	+1	145	65	37.0	7.8	11.2
Rea Brothers		65	–	67	44	31.4	1.9	26.0
Schroders		1368	–	*1478	906¼	2,985	1.3	16.5
N/V		1123	–	*1180	823¼	494.1	1.8	16.8
Singer & Fried		108	–	111	81	214.4	4.2	11.3
8½pc Cv Ln 09/14		£135½	–	£137	[illegible]	41.5	6.3	–
Union		92	+6½	121	70	24.6	4.1	–
Wintrust		275	–	295	200	23.8	5.4	15.5

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		[illegible]	[illegible]	[illegible]	[illegible]	8,975	4.3	11.0
ANZ A$		308	+5	308	198	4,299	5.1	[illegible]
Abbey National		639	+3	654	413	8,434	3.0	12.8
Allied Irish I£		353	+2	368	250	2,953	4.1	10.3
Anglo Irish I£		66xd	+2	38	48	227.1	6.6	11.2
Asahi Y		794	−14	857¼	605¼	18,404	0.5	–
Banco Bil Viz Pts		£23½	+⅛	£23½	£14⅞	6,287	3.6	10.3
Banco Sant Pts		£30⅝	–	£31⅛	£22⅝	4,641	4.3	21.1
Bk Ireland I£		473xd	+1	488	288	2,249	3.8	9.5
Bank Scotland		289	+8	307½	181½	3,418	2.7	16.8
9¼pc Pf		119¼	−½	120½	109¼	119.9	9.7	–
9½pc Pf		125½	−½	127¼	112½	125.5	9.7	–
Barclays		758	+19	072½	557½	12,294	3.7	10.3
Dai Ichi Kan Y		£12¼	[illegible]	£13¼	[illegible]	38,848	0.4	–

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	+ or -	52 week High	Low	Yld Gr's	NAV	Dis or Pm(-)
Johnson Fry Euro	♣tv	79	—	84	78	7.6	100.2	21.2
Zero Pf		132½	—	132½	104	–	–	–
Johnson Fry Second	♣tv	99½xd	—	99	82	9.6	92.2	4.0
Zero Div Pf		122	—	122½	98	–	–	–
Johnson Fry Utls	♣tv	99½xd	—	110	89	10.6	102.6	6.1
Zero Pf		132	—	132	108½	–	–	–
Jos Holdings Capital	♣v	118	—	119	95	–	249.9	52.8
Income	v	90xd	—	103	91	17.6	–	–
Zero Div Pf		150½	—	151	120	–	–	–
Jove Inc	♣tv	59	—	66	59	12.9	–	–
Cap		37	—	43	37	–	56.1	34.0
Jupiter Euro	v	74	—	93	69	2.8	111.8	33.7
Warrants		47	—	48	45	–	–	–
Zero Div Pf		51	-¼	52	51	–	–	–
Jupiter Intl Green		48	—	52	36	2.8	58.6	18.1
Warrants		35	—	31	24	–	–	–
Units	H	127	—	128	90	3.3	122.0	-4.1
Zero Pf		79½	—	80	62¼	–	–	–
Kleinwort High Inc	♣tv	78xd	—	91	74	13.0	92.6	15.8
Zero Div Pf		151	—	151	150	–	–	–
Lloyds Smlr Uts	♣tv	127	—	130	102	3.8	140.9	9.7
Capital		101	—	102	77	–	139.1	27.4
Dividend	tv	29½	—	29½	26	17.5	–	–
[illegible]								

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

ALCOHOLIC BEVERAGES

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week High	Low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	[illegible]	[illegible]	£29	2,111	2.7	15.6
Barlow	♣	[illegible]	+33	[illegible]	[illegible]	1,088	1.6	♦
Gold Flds Prop R		167	+3	167	135	16.1	6.7	7.1
MK Props		92	—	95	85	3.78	12.9	–
SASOL	♥	842	+10	848	435	3,173	2.8	–
SA Brews		[illegible]	[illegible]	[illegible]	£12¼	6,712	1.5	30.8
Standard Bank	□	[illegible]	—	[illegible]	[illegible]	3,088	1.5	21.1
Tiger Oats		1150xd	—	1165	700	1,730	1.7	♦
Tongaat-Hulett	†	1125xd	+54	1125	636	1,025	1.7	21.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- $ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. k Rights issue pending. q Earnings based on preliminary figures. r Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. ♦ Forecast annualised yield, p/e based on prospectus or other official estimates. ¶ Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

The Fidelity Trust Global Fund

GAM Fund Management Ltd (z)

GT Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Baring Mutual (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Fleming Group

LUXEMBOURG (SIB RECOGNISED)

DB Investment Management SA

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (a)

Alliance Capital

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Chase Manhattan Vista Funds

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Camco Investment Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

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LONDON STOCK EXCHANGE

MARKET REPORT

Wall Street rescues Footsie from political woes

By Philip Coggan, Markets Editor

Political worries were not, according to the consensus, supposed to hit the UK stock market until the second half of the year. But they made an early appearance yesterday, sending the FT-SE 100 index lower in the first trading session of 1996.

However, a strong performance by Wall Street, where the Dow Jones Industrial Average was 40 points ahead at one stage, reduced Footsie's losses. By the close, the leading index was 1.4 lower at 3,687.9.

The day started well, with Footsie racing to a new intra-day all-time high of 3,696.5, up 7.2, in the first minute of trading. But initial enthusiasm quickly evaporated, as gilts were hit by political concerns.

The weekend defection to the Liberal Democrats of Conservative MP Miss Emma Nicholson prompted renewed doubts about the stability of the Conservative government, especially as it was followed by press speculation about further potential defectors.

Most commentators had previously expected the Conservative government to last until 1997, with politics accordingly not becoming a significant market influence until the second half of 1996.

The benchmark 10 year gilt fell by around a quarter of a point and short sterling futures, the market's vehicle for speculating on interest rate changes, became markedly less optimistic about the prospect for rates in the later part of the year.

At its worst, Footsie was 22.4 points lower at 3,666.9. The market had already erased some of its losses by the time Wall Street opened, however, and for the rest of the afternoon it was a race to see if the leading index could finish in positive territory.

The FT-SE Mid 250 index performed better than the blue chips, finishing above its 1995 highs at 4,036.9, up 15.6 on the day.

Volume remained sluggish throughout the day, with only 450.9m shares traded by the 6pm count. The value of customer business last Friday, a half-day session, was a healthy £1.3bn.

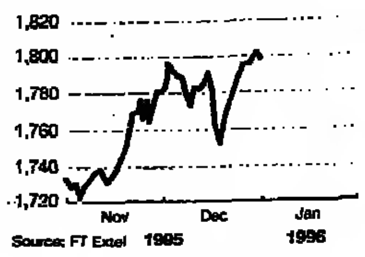
As the new trading year begins, analysts are fairly cautious about the UK stock market's prospects. The team at SGST, which was among the most bullish in 1995, is similarly upbeat about 1996, forecasting that the FT-SE 100 index will end the year within a 4,000-4,250 range.

Mr Richard Jeffrey of Charterhouse, another of last year's more prominent bulls, is opting for Footsie to reach 4,000 by the end of the year. Mr Mark Tinker of James Capel has the same target.

But many other analysts are much less sanguine. Mr Tim Brown of UBS plumps for 3,800, a rise of just 3 per cent from the end-1995 level. Mr George Hodgson of S.G. Warburg Securities is expecting 3,750, with the market being battered by earnings downgrades during the spring reporting season.

Mr Steve Wright of Barclays de Zoete Wedd is also looking for 3,750 with the possibility that the second-liners in the Mid-250 index might outperform the blue chips. NatWest Securities is forecasting 3,700, leaving Footsie virtually unchanged on the year.

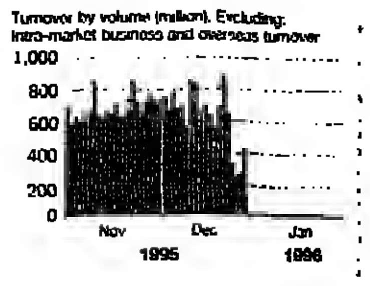
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3687.9	-1.4
FT-SE Mid 250	4036.9	+15.6
FT-SE-A 350	1831.6	+1.0
FT-SE-A All-Share	1803.78	+1.22
FT-SE-A All-Share yield	3.78	(3.80)
FT Ordinary index	2696.7	+6.6
FT-SE-A Non Fins p/e	16.72	(16.70)
FT-SE 100 Fut Mar	3717.0	+14.0
10 yr Gilt yield	7.45	(7.41)
Long gilt/equity yld ratio:	2.06	(2.04)

Best performing sectors

1. Life Assurance .... +1.6
2. Paper, Pck & Print .... +1.3
3. Leisure & Hotels .... +1.2
4. Food Producers .... +1.0
5. Gas Distribution .... +0.8

Worst performing sectors

1. Electronic & Elec .... -1.1
2. Water .... -0.9
3. Telecommunications .... -0.6
4. Pharmaceuticals .... -0.6
5. Tobacco .... -0.9

Telecoms stocks tremble

Mobile telephone groups yesterday discovered the truth of the adage – Christmas is not Christmas without presents.

An orgy of giving last year was followed by a round of bad publicity as people realised that a portable phone was not just for Christmas but for a binding contract of around 15 months.

This year, Vodafone sales in December were down by 56 per cent over the same period last year and down by 23 per cent over the quarter. It is now almost neck and neck with Cellnet, its closest competitor, in terms of overall subscriptions.

Cellnet, 60 per cent owned by BT and 40 per cent by Securicor, warned that its December figure would be "several tens of thousands" short of last year's figure of 325,000. And One-2-One, the service offered by Cable and Wireless's 50 per cent owned Mercury arm, is also expected to have suffered.

The only group seen to have made headway over the year is Orange, the group in which British Aerospace has a 30 per cent stake.

However, Orange's sales started from a lower base and the feeling of caution throughout the sector ensured that all the companies and stakeholders were weak. Vodafone fell 4½ to 226p with 3.5m traded, BT was down 2 to 352p and BAe was off 4 at 793p. C&W and Securicor were flat at 460p and 885p respectively.

The final defence document from Forte, beseiged by the Granada Group, drew applause from the market, where Forte shares put on an impressive display to close up 12½ to 343p, almost 4 per cent higher. Turnover in Forte was a heavy 6.3m shares.

Forte's defence included an £800m share buy back proposal, a final dividend increase of 21 per cent along with a 1996 profits forecast of £190m and dividend growth of at least 20 per cent per annum for the next three years.

Leisure specialists said Granada would have to increase its offer by at least 10 per cent and probably more to have any chance of winning the battle for control of the hotels group.

Granada shares fell to 639p before stabilising and closing a net 3 off at 642p.

A mixture of revived takeover talk and new year tips was behind the latest upsurge in Ladbroke shares, which outpaced the rest of the FT-SE 100 constituents. They ended the session 9½, or 6.5 per cent, higher at 156p.

J.Sainsbury was once again responsible for a bout of price-war worries affecting all the food retailers. Sainsbury launched a new year initiative to cut the price of 200 items.

The supermarket group's shares tumbled to 385p at one point before rallying to close a net 2 off at 391p. Argyll were the same amount easier at 338p. Tesco, meanwhile, rose 5 to 302p as some institutions switched out of Sainsbury.

The stock with the weakest individual performance in the FT-SE 100, and had the heaviest turnover was Lloyds TSB, where 11m shares changed hands. Activity was said to have been boosted by some large-scale switching from Lloyds TSB into Barclays.

The latter underperformed the banking sector by 10 per cent last month, according to one bank specialist.

He said both Lloyds and TSB had been overbought in the run-up to the completion of the merger and were ripe for profit-taking.

Lloyds TSB ended the session 12½ off at 319p, having touched 316p at one point. Barclays, on the other hand, raced up 19 to 758p, with turnover reaching a highly respectable 5.8m shares.

Standard Chartered, the best performing FT-SE 100 share last year with a neat 100 per cent gain, climbed 13 to 561p.

Bid hints returned to lift Bank of Scotland 8 to 289p.

The takeover speculation that began to lift the insurance brokers some weeks before Christmas revived, helping Sedgwick move up 6 to 127p and Willis Corroon 5 to 146p.

MARKET REPORTERS:
Peter John,
Steve Thompson.

FINANCIAL TIMES EQUITY INDICES

	Jan 2	Dec 29	Dec 28	Dec 27	Dec 22	Yr ago	*High	*Low
Ordinary Share	2696.7	2690.1	2678.7	2674.1	2660.5	2363.7	2696.7	2238.3
Ord. div yield	4.03	4.03	4.05	4.05	4.07	4.42	4.73	4.02
P/E ratio net	15.96	15.95	15.89	15.96	15.78	17.83	21.33	15.35
P/E ratio nil	15.76	15.75	15.69	15.66	15.59	17.27	22.21	15.17

For 1995/96. Ordinary Share index since compilation, high 2713.6 2/02/94 low 49.4 26/6/40. Base Date, 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2694.3	2681.6	2676.7	2678.1	2681.3	2683.6	2684.5	2689.0	2696.0	2696.8	2674.3

	Jan 2	Dec 29	Dec 28	Dec 27	Dec 22	Yr ago
SEAQ bargains	27,915	11,096	18,094	18,430	13,836	14,990
Equity turnover (£m)†	-	1297.5	840.0	780.5	829.0	751.5
Equity bargains†	-	13,072	20,354	18,781	17,818	26,319
Shares traded (mil)†	-	415.1	323.3	267.7	351.7	372.3

†Excluding intra-market business and overseas turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	730	Total Highs	132	Total contracts	25,495
Total Falls	533	Total Lows	30	Calls	11,261
Same	1,584			Puts	14,234

Jan. 2 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	25.0	29	23	Cash Converters	25	+1	Mv2.6	5.1	13.0	18.7
-	F.P.	23.8	125	116	Century Inns	118	+1	-	-	-	-
-	F.P.	12.2	510	500	†Com de Part Fin	510		-	-	-	-
150	F.P.	72.1	160	149½	Cortworth	151		Rv5.8	2.1	4.8	12.4
-	F.P.	55.1	112	108	Cox Insurance	112	+1	-	-	-	-
-	F.P.	14.0	60	52	†Crown Products	53		-	-	-	-
-	F.P.	14.1	90	75	†Dmatek	75		-	-	-	-
100	F.P.	27.3	103	98	Finsbury Tech	103		-	-	-	-
200	F.P.	21.6	203	198	Gearhouse	200		Lv4.4	3.5	2.8	13.1
-	F.P.	13.5	28	23	†Manx & O'seas	23		-	-	-	-
204	F.P.	3,373.5	214½	198	National Grid	199½		Wv11.23	2.3	7.0	9.0
-	F.P.	8.59	78	75	†Nthn Petlm	75		-	-	-	-
-	F.P.	0.13	8	8	†Do Wrnts	8		-	-	-	-
-	F.P.	95.9	395	345	†Pet City	395	+13	-	-	-	-
-	F.P.	25.8	152	124	†Polymasc Pharms	129	+4	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dilly	100		-	-	-	-
-	F.P.	3.15	3½	3	†Rushmere Wynne	3½		-	-	-	-
133	F.P.	48.2	138	133	Unicorn Intl	138	+1	Wv5.5	2.2	5.0	11.5
-	F.P.	175.3	253	213	Victrex	253	+3	Lv3.6	2.4	1.8	29.6
-	F.P.	3.90	135	125	†Viewinn	130		-	-	-	-
-	F.P.	47.8	68	55	Wilmington	67		v-	-	-	31.5

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3708.0	3717.0	+14.0	3728.0	3678.0	7830	61975
Jun		3719.0	+15.0			0	1116

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4055.0	+15.0			0	3315

■ FT-SE 100 INDEX OPTION (LIFFE) (*3688) £10 per full index point

	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P
Jan	202	2	154	4	109	7½	65½	14½	33½	31½	13½	64½	3½	108	1	158
Feb	220	7	175½	12	133½	20½	96½	33	65½	53	41	80½	24	115½	12½	158½
Mar	232	18	189½	25½	151	36½	116½	52½	86	72½	62	98½	42	130	26	166½
Apr	236	34	198	45½	162½	59½	131½	78	103	96½	80	125½	59	155	43½	190
Jun†	269½	60			197	85½			135½	122			88½	173½		

Calls 2,487 Puts 5,931

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Jan	178½	3	131½	6	87	11½	48½	23	22	45½	6½	80	1½	125	1	173½
Feb	197	9	153½	14½	115	25½	80½	41	53	63	32½	92	18	127	9	168
Mar	211	21½	169	29	130½	40	98½	57	71½	79	49½	107	32½	139	20½	176½
Jun	248	60			180½	89½			121	127			76	179		
Sept	283	90			227½	119½			180½	156½			128	203		

Calls 2,821 Puts 4,686 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT GOLD MINES INDEX

	Dec 29	% chg since 30/12/94	Mkt Cap £m	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1913.48	-3.2	48.36	100.00	1.77	-	2063.66	1637.61
■ Regional Indices								
Africa (15)	2502.20	-21.6	13.51	27.93	3.71	26.29	3191.21	2272.74
Australasia (6)	2368.82	-3.5	6.00	12.41	2.09	37.22	2807.57	1788.20
North America (12)	1694.27	+9.0	28.85	59.66	0.80	49.98	1831.00	1348.18

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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i	384	416	-2
ASDA Group†	7,900	111½	+1
Abbey National†	518	639	+3
Albert Fisher	1,300	49½	+1½
Allied Domecq†	1,300	537	+12
Anglian Water	66	601	-4
Argos†	143	595	-1
Argyll Group†	390	338	-2
Arjo Wiggins	2,300	172	+7
Assoc. Brit. Foods†	404	368	-1
Assoc. Brit. Ports	168	282	-7
BAA†	1,200	483	-2
BAT Inds.†	2,300	565	-2½
BET	1,700	125	-2
BICC	1,100	280	+4
BOC†	435	858	-3
BP†	4,200	537	-2
BPB Inds.	640	300	-2
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wire.†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson†	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

FT-SE Actuaries Share Indices

	Jan 2	Day's chge%	Dec 29	Dec 28	Dec 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3687.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1803.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

	Jan 2	Day's chge%	Dec 29	Dec 28	Dec 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Extractive Industries(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(277)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(71)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(253)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(674)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(107)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(126)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(906)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 2 / Sch)

BELGIUM/LUXEMBOURG (Jan 2 / Frs.)

CZECH REP (Dec 15 / Koruna)

DENMARK (Jan 2 / Kr)

FINLAND (Jan 2 / Mkk)

FRANCE (Jan 2 / Frs)

GERMANY (Jan 2 / Dm.)

GREECE (Jan 2 / Drachma)

ITALY (Jan 2 / Lire)

NETHERLANDS (Jan 2 / Fls.)

NORWAY (Jan 2 / Kroner)

POLAND (Jan 2 / Zloty)

PORTUGAL (Jan 2 / Escudo)

SPAIN (Jan 2 / Pts.)

SWEDEN (Jan 2 / Kronor)

SWITZERLAND (Dec 28 / Frs.)

TURKEY (Jan 2 / Tk Lira)

PACIFIC

JAPAN (Dec 29 / Yen)

HONG KONG (Jan 2 / H.K.$)

INDONESIA (Jan 2 / Rupiah)

MALAYSIA (Jan 2 / MYR)

NEW ZEALAND (Dec 29 / NZ $)

SINGAPORE (Jan 2 / S$)

AUSTRALIA (Jan 2 / Aust$)

SOUTH KOREA (Dec 27 / Won)

TAIWAN (Dec 30 / TW $)

THAILAND (Dec 29 / Baht)

AFRICA

SOUTH AFRICA (Jan 2 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 2 / Can $)
4 pm close

MONTREAL (Jan 2 / Can $)
4 pm close

INDICES

INDEX FUTURES

US INDICES

■ RATIOS

	Dec 29	Dec 22	Dec 15	Year ago
Dow Jones Ind. Div. Yield	2.30	2.31	2.27	2.78
	Dec 27	Dec 20	Dec 13	Year ago
S & P Ind. Div. yield	1.98	2.02	1.95	2.47
S & P Ind. P/E ratio	18.75	18.49	19.06	18.40

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Friday, December 29, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	8.9m	809	+11	Sanyo Elec	3.1m	595	+20
Nip Steel	4.3m	354	+6	Minolta Co	3.0m	603	+8
Mitsui Osk	4.0m	331	+10	Taiyo Toyo	2.9m	575	-33
Hanwa	3.7m	426	-18	Matsushita	2.4m	1680	+50
Sumitomo Hvy	3.6m	371	+21	Sakura Bank	2.2m	1310	+20

4 pm close January 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	12⅛	AAR	0.48	2.2	26	151	u22⅜	21⅞	21¾	-¼
46¼	35	AMP	0.92	2.4	20	5839	39¼	38½	38½	+¾
80¼	53⅜	AMR			17	3527	75½	74½	75⅛	+⅞
47⅞	36⅜	ASA	1.71	4.4	25	755	38¾	37⅞	38⅝	+1½
44¾	30¾	AbbtL	0.84	2.0	20	13164	41¾	41¼	41⅜	
18⅞	12	Abitibi Pr	0.48	2.6	7	2155	15⅛	14½	15⅜	+⅝
38½	21	ABM Ind	0.70	2.5	15	57	28	27¾	28	+¼
17½	13⅛	Acptnceln			10	186	15⅜	14½	15¼	+⅜
40	21⅞	ACE Ltd x	0.56	1.4	9	830	39⅝	38⅞	39⅛	-⅜
9⅞	8⅛	ACM Gvt In x	0.48	5.2	8	596	9¼	9⅛	9¼	+⅛
7⅞	6½	ACM GvOpp	0.66	8.9		149	7⅜	7¼	7⅜	
7½	5¾	ACM Gvt Sp	6.75	11.3		752	6¾	6½	6⅝	-⅛
6¾	7¼	ACM Gvt Se x	0.24	2.8		1267	8½	8¼	8½	+¼
9½	7⅝	ACM Man	0.90	0.9		1161	9⅛	9	9⅛	+⅜
29¼	10¼	AcmeClv	0.48	2.5	33	130	19⅛	18⅞	19	+¼
38¾	7⅜	Acme Elect			72	227	9¼	8¾	9⅜	-⅜
34½	23¾	Acordia	0.72	2.4	16	33	29⅞	29⅜	29⅞	
16¾	10⅛	Acuson			39	213	12⅝	12⅛	12⅝	+¼
19⅝	15⅝	Adams Expr	0.48	2.6	0	404	18⅜	18⅜	18⅜	+¼
38⅞	2⅞	AdvMic			5	7954	17⅛	16⅞	17¼	+¾
9¾	5	Advest Grp	0.16	1.8	11	36	8¾	8½	8¾	+¼
27½	16½	Advo Inc x	0.16	0.4	19	411	26⅛	25⅞	26	
44¾	24.80	Aegon	1.28	2.8	17	80	u46⅜	44⅞	46⅜	+2⅜
5⅞	3⅛	Aeroflx			7	100	4⅛	4	4⅛	-⅛
78¾	46¾	AetnaL	2.76	4.0	33	5277	70	68⅜	69⅝	+⅜
44¾	31⅞	Aflac	0.52	1.2	13	1224	44½	43¾	44⅜	+1
28⅜	18	Ahmanson	0.88	3.3	6	2797	26⅝	26¼	26⅝	+⅛
59½	43⅞	AirPrC x	1.04	1.9	16	4157	53⅞	52½	53⅝	+1
29½	18⅜	Airbne Frt	0.30	1.1	23	168	27⅛	26⅜	26⅞	
33¼	16⅝	Airgas Inc			28	549	u33¼	32⅜	30½	-¾
18	13⅞	Airlease 4	2.00	11.6	12	46	17⅛	17	17	-¼

[illegible]

Continued on next page

4 pm close January 2

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
[illegible]										

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

[illegible]

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4 pm close January 2

NASDAQ NATIONAL MARKET

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close January 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

AT & T ahead on restructuring news

Wall Street

US shares began the year on an uneven note as blue chip stocks rallied, while the Nasdaq market slipped, *writes Lisa Bransten in New York.*

Positive reaction to an announcement of cost-cutting measures by AT & T, the telecommunications giant, helped the Dow Jones Industrial Average to a 41.55 point gain to 5,158.67 by 1 pm.

The Standard & Poor's 500 added 1.90 at 617.83, while the American Stock Exchange composite fell 0.66 at 547.57. Volume on the NYSE was 202m shares.

Analysts at Birinyi Associates said AT & T's $3 increase to $67¾ accounted for about 21 per cent of the Dow's rise. AT&T said it would take a $4bn charge in the fourth quarter to pay for restructuring moves, including laying off 40,000 workers over the next three years.

The Dow also benefited from its concentration of cyclical shares, which were generally stronger.

Rising cyclical issues in the Dow included Allied Signal, up $1¾ at $48⅞, Boeing, $1⅞ stronger at $79¾, Du Pont, which added $1⅝ at $71½, and Minnesota Mining & Manufacturing, up $1⅞ at $67⅞.

The Nasdaq composite, which is weighted toward technology shares lost 2.14 at 1,049.99 amid profit-taking in the biotechnology sector. Amgen, which had added more than $9 in the final two weeks of last year, shed $1¼ at $57½ and Chiron, more than $13 stronger since December 18, slipped $3 to $107½.

Computer-related technology companies were generally stronger with Microsoft adding $¾ at $88½ but Silicon Graphics, a NYSE-traded software company, sank $5 or 18 per cent to $22¼, after warning that slower-than-expected growth would cause second quarter earnings to be about 4 cents a share below the 34 cents per share earned in the second quarter of last year.

Toys 'R' Us added $1½ at $23¼ after reporting that sales were up 7 per cent for the eight weeks ended December 24. US same-store sales for the same period, however, were up less than 1 per cent.

Canada

Toronto overcame early weakness in midday trade and the TSE-300 Composite index was 12.37 higher by noon at 4,725.91 in volume of just 20.4m shares. Northern Telecom climbed C$1⅞ to C$59⅝ on expectations that bad news from AT & T might focus attention on Canada's largest telecommunications supplier.

Latin America

MEXICO CITY was up 44.39 or 1.6 per cent at 2,822.86 as investors were encouraged by expectations that interest rates would continue on a downward trend. In SAO PAULO the Bovespa index was up 756.73 or 1.8 per cent at 43,747 and the Merval index in BUENOS AIRES was up 16.90 or 3.2 per cent at 535.86.

SOUTH AFRICA

Johannesburg edged higher, but in muted activity as many of the larger fund managers stayed away, and the overall index rose 22.1 to 6,250.5. Industrials, which led the day's gains, picked up 21.2 to 8,008.4 while golds, which benefitted around opening levels on a static bullion price, edged 3.1 higher to 1,346.6.

De Beers picked up 25 cents to R110.75 but Anglos slipped R5 to R225.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+0.59	+0.11	-11.82	-11.82	-3.76	-4.49
Belgium	+0.86	+3.56	+14.81	+14.81	+25.12	+24.17
Denmark	+1.35	+0.78	+3.87	+4.43	+15.56	+14.68
Finland	-0.37	-14.49	-7.83	-7.83	+1.37	+0.60
France	+0.17	+2.03	+0.10	+0.53	+10.54	+9.70
Germany	-0.83	+0.69	+6.89	+5.48	+15.10	+14.22
Ireland	+1.14	-0.01	+18.65	+19.38	+24.85	+23.90
Italy	+1.94	+7.11	-2.30	-4.26	-1.36	-2.11
Netherlands	+0.76	+2.53	+16.17	+16.17	+26.71	+25.75
Norway	+1.91	+1.41	+2.24	+1.34	+9.33	+8.50
Spain	-0.11	+2.42	+17.27	+15.38	+26.15	+25.18
Sweden	+1.27	-1.18	+21.21	+20.39	+36.07	+35.04
Switzerland	+0.81	+1.76	+25.62	+25.62	+43.96	+42.86
UK	+0.86	+0.39	+19.23	+19.24	+19.24	+18.33
EUROPE	+0.57	+1.15	+13.15	+12.80	+19.81	+18.89
Australia	-0.35	+2.08	+13.93	+15.45	+11.56	+10.71
Hong Kong	-1.58	+2.54	+18.81	+18.80	+19.79	+18.88
Japan	+0.33	+5.42	+2.31	-2.06	-0.52	-1.28
Malaysia	+0.15	+2.34	+0.71	-0.63	+1.98	+1.20
New Zealand	+1.00	+0.53	+10.60	+10.69	+13.93	+13.07
Singapore	-0.78	+7.19	-5.17	+5.90	+10.00	+9.16
Canada	-0.11	+1.11	+11.61	+11.54	+15.60	+14.72
USA	+0.73	+1.20	+33.25	+33.81	+34.85	+33.81
Mexico	-0.17	+3.04	+12.91	+14.43	-26.30	-26.86
South Africa	-1.15	+3.88	+17.91	+2.38	+15.32	+14.44
WORLD INDEX	+0.53	+2.30	+15.91	+15.94	+17.78	+16.88

† Based on December 29th 1995.

EUROPE

Continent greets new year with rally

There was a strong start to the year throughout the continent, but turnover was thin.

FRANKFURT made strong headway and after the DAX index made 30.98 to 2,284.86, the Ibis motored to 2,307.70. Brokers said turnover at DM4.7bn was low and were uncertain as to whether there was enough momentum to push the index above its all time high of 2,320.58 set last September. Dealers said the day's gain could largely be attributed to a surge in bund futures which took the March contract to a new high.

Chemicals and financials were in demand: Bayer gained DM7.20 to DM385.70, BASF DM8.50 to DM326 and Hoechst DM6 to DM395.

Escom, the computer group, dropped DM5.30 to DM18.20, off a low of DM17.80, after announcing at the end of last week that it expected to report a loss of around DM45m during 1996 owing to poor sales and high start-up costs in the UK.

FT-SE Actuaries Share Indices

Jan 2						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1500.67	1502.21	1502.09	1503.82	1505.05	1505.38	1505.06	1506.80
FT-SE Eurotrack 200	1602.14	1602.77	1603.14	1604.65	1605.22	1605.80	1606.76	1610.53
	Dec 29	Dec 28	Dec 27	Dec 22	Dec 21			
FT-SE Eurotrack 100	1490.41	1492.17	1490.10	1479.19	1466.57			
FT-SE Eurotrack 200	1600.63	1597.69	1602.58	1587.34	1571.89			

Base 1000 (26/10/90) High/day: 100 - 1507.13 200 - 1610.53 Low/day: 100 - 1500.67 200 - 1602.14 † Partial

PARIS began the new year on a high note as the CAC-40 index rallied 36.41 or 1.9 per cent to 1,908.38. However, turnover was just FFr2.8bn. Brokers said the day's gain had been exaggerated, and many investors were still banking on a further cut in interest rates in the first quarter.

Renault went in the direction of the market, making FFr 6.10 to FFr147.10, as investors ignored news that the chairman had been placed under judicial investigation.

AMSTERDAM, closed last Friday, made up for lost time to forge ahead to yet another record high. Brokers noted that investors were particularly keen buyers of financials and defensive stocks.

The AEX index rose 9.89 or 2 per cent to 495.34.

MILAN was unfazed by political diversions with shares instead taking their lead from the strong performance of bond futures and the Comit index picked up 5.33 to 594.93 in relatively subdued and low volume trading. Ferruzzi picked up L21 to L1,044, and the rights by 14.7 per cent as the market awaited details of Mediobanca's public buy offer.

STOCKHOLM jumped 1.4 per cent in optimistic trade underscored by continued strength on the money market and news of the bid for Gambro, the medical technology group. The Affärsvärlden index rose 23.5 to 1,759.2.

Incentive fell SKr17 to SKr273 as the industrial group said it was making a bid worth SKr155 a share, or a total of SKr10.3bn, for the shares in Gambro that it did not already own. Gambro jumped SKr26 to SKr152 and Astra rose SKr6 to a closing high of SKr271, after touching a new intraday high of SKr271.50.

The upbeat mood spilled over to HELSINKI where Orion B shares hit a 19 month high, up FM6 to FM128 as interest in the pharmaceuticals sector was spurred by the bid for Gambro. The Hex index rose 47.98 or 2.8 per cent to 1,752.18.

OSLO was higher, with the industrial and shipping sub-indexes showing the strongest performances. The all share index was up 10.27 at 743.23 in turnover of NKr544m.

VIENNA talked about the sudden resignation of the finance minister, but the overall market was boosted by the positive tone throughout the continent. Mr Andreas Staribacher stepped down after nine months in office, citing disillusionment with domestic politics. The ATX index climbed 1.6 per cent to 975.27, its highest close since October.

ISTANBUL retreated sharply in quiet trade as volume shrank amid continuing political uncertainty.

The composite index shed 1,245.19 or 3.1 per cent to 38,779.38. Turnover decreased to TL4,500bn.

Parliament is expected to convene next week after which President Suleyman Demirel is likely to appoint a prime minister.

● Zurich was closed for a public holiday.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Hong Kong advances 1.3% in mixed region

Regional markets had a day of contrasting fortunes, although activity was muted in the absence of a lead from Tokyo.

HONG KONG was 1.3 per cent higher in moderate trading, boosted by a sharp premium in index futures, heavily bought by foreign investors, and the Hang Seng index jumped 131.48 to 10,204.87 in turnover that improved to HK$3.5bn.

Brokers said that there was talk of a covered warrant issue on Hopewell, which was the most active stock for most of the day. The shares gained 7.5 cents to HK$4.525, after touching a day's high of HK$4.60, in heavy turnover of HK$277m.

The government's relaxation of restrictions on the sale of unfinished flats benefited major property developers. Cheung Kong surged HK$1.10 to HK$48.20, Sun Hung Kai Properties jumped HK$1.25 to HK$64.50 and Henderson Land climbed HK$1.20 to HK$47.80.

SINGAPORE was weak as speculative shares were hit by the stock exchange's censure last week of another prominent Indonesian businessman, Johannes Kotjo. He was reprimanded over what the exchange said were misleading statements about United Pulp & Paper after he launched a potential takeover bid for the company on November 9.

At the close, the 30-share Straits Times Industrials Index was down 8.47 points to 2,258.07.

Speculatives that plunged included United Pulp & Paper, down 62 cents to S$2.05 and L&M Group Investment, 50 cents weaker at S$3.32. SPP, in which another Indonesian businessman, Henry Paribadi, has a stake, gave up 27 cents to 96 cents.

SYDNEY was firmer although turnover was low. The All Ordinaries index added 23.4 to 2,228.4.

Brokers said expectations for stronger global economic growth in 1996 should lift resources stocks, particularly those with exposure to base metal miners like CRA, Broken Hill, WMC and nickel producer QNI.

Ten brokers surveyed by Reuters said that they thought the All Resources sub-index would rise 11.1 per cent over 1996 and the All Industrials 9.6 per cent.

Markets in Tokyo, Wellington, Seoul and Taipei were closed for public holidays.

KUALA LUMPUR saw heavy, speculative buying of smaller capitalisation issues, while blue chips finished weaker in thin trading as fund managers extended their holidays.

The composite index gave up 1.99 to 993.18, while in contrast, the KLSE Second Board index jumped 12.14 or 4.1 per cent, to 310.80. The top six most actively traded issues were second board companies, led by a M$2.20 jump to M$13.40 in KP Seribu Daya.

BOMBAY was weak, in response to tight money conditions and a weak rupee and the BSE-30 index gave up 15.98 points to 3,11.96. Brokers said that sentiment was also hurt by news that the government has ordered the tobacco and hotels group ITC to pay Rs8bn in overdue excise duties, and had been fined Rs650-Rs700m for having failed to pay the duties on time. The ITC share dropped Rs9 to Rs241.

MANILA began the year slowly, ending lower in thin trade with most investors still absent. The composite index shed 15.21 to 2,576.97.

COLOMBO was slightly down with turnover at its lowest in three years.

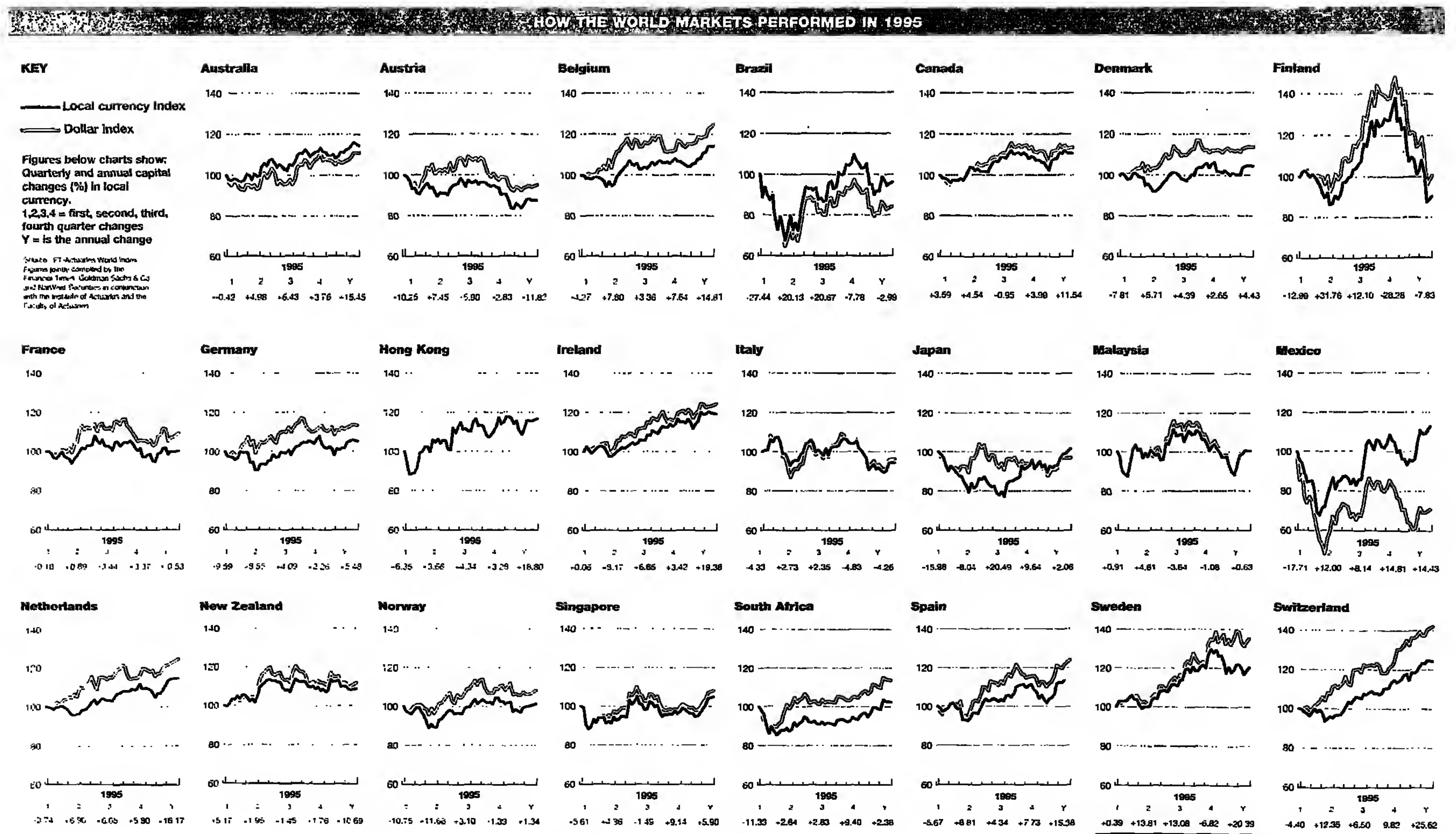
The all share index closed fell 1.0 to 662.7. Turnover dropped to SLRs6.6m rupees from SLRs34.7m on December 29, the previous trading day.

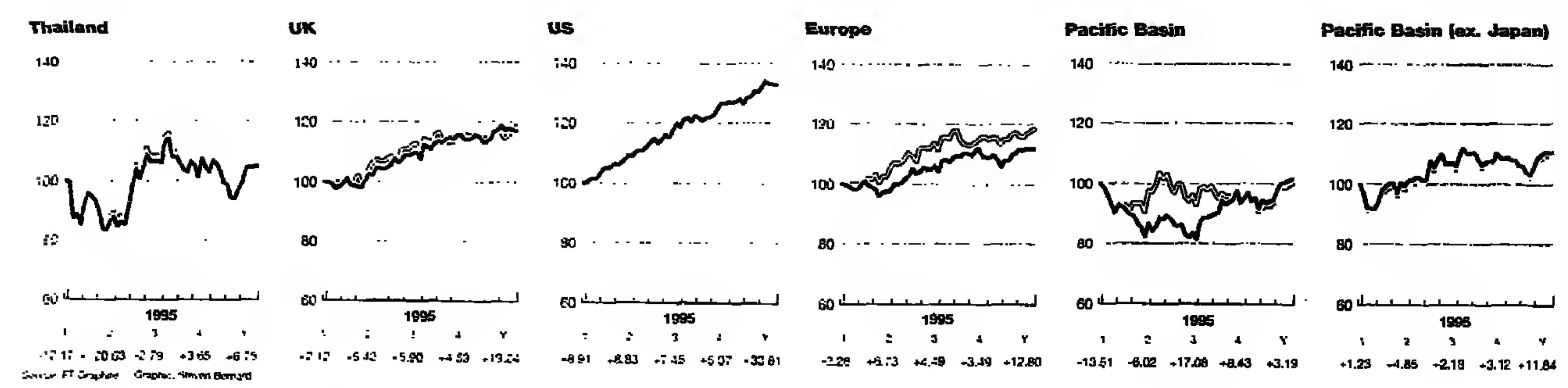
SHANGHAI's hard currency B shares were 2.1 per cent higher on institutional buying in selected stocks and the index rose 0.987 to 48.672. But the A index dropped 19.234 or 3.3 per cent to 555.955 on news that Ningbo Shan-shan would issue 13m shares on the market on January 8.

SHENZHEN's A index fell 3.38 or 2.9 per cent to 113.64 as buying support evaporated. The B slipped 0.51 to 58.97.

The FT/S & P Actuaries World Indices today appear on Page 15

HOW THE WORLD MARKETS PERFORMED IN 1995





Source: FT Graphite. Graphic: Simon Bernard

EXCHANGE RATES

1995	End 1st Qtr £	$	End 2nd Qtr £	$	End 3rd Qtr £	$	End 4th Qtr £	$
Australia	1.3815	2.2008	1.4091	2.0444	1.3225	2.0869	1.3450	2.0872
Austria	9.7000	15.6667	9.7400	15.4463	10.0480	15.8459	10.0700	15.5351
Belgium	28.57	45.7774	28.40	45.2730	29.38	46.2624	29.41	45.6916
Brazil	0.9000	1.4611	0.9155	1.4587	0.9530	1.5062	0.9720	1.5080
Canada	1.3893	2.2943	1.3724	2.1857	1.3419	2.1218	1.3644	2.1173
Denmark	5.4430	8.6379	5.3855	8.6928	5.5334	8.7405	5.5432	8.6042
Finland	4.3205	7.0013	4.2080	6.3051	4.2725	6.7428	4.3621	6.7414
France	4.8640	7.8817	4.8405	7.7119	4.9208	7.7713	4.9050	7.5208
Germany	1.3752	2.2290	1.3820	2.2020	1.4275	2.2521	1.4365	2.2260
Hong Kong	7.7325	12.5342	7.7377	12.3086	7.7320	12.2267	7.7430	12.0046
Ireland	0.6153	0.9967	0.6088	0.9712	0.6180	0.9779	0.6249	0.9687
Italy	1104.20	2764.24	1631.50	2604.30	1616.00	2550.52	1586.00	2460.04
Japan	86.55	140.73	84.21	135.02	99.73	156.13	103.25	160.15
Malaysia	2.5290	4.1249	2.4380	3.8780	2.5145	3.9734	2.5407	3.9419
Mexico	6.7850	10.9974	6.2400	9.8441	6.3650	10.0739	7.6950	11.9624
Netherlands	1.5392	2.4918	1.5477	2.4667	1.5992	2.5211	1.6080	2.4898
New Zealand	1.5274	2.4906	1.4947	2.3367	1.5203	2.4051	1.5366	2.3149
Norway	6.1560	9.9878	6.1565	9.8078	6.2550	9.8912	6.3251	9.8091
Singapore	1.4115	2.2994	1.3970	2.2233	1.4245	2.2490	1.4136	2.1961
South Africa	3.5957	5.8534	3.6362	5.7850	3.6497	5.7768	3.6482	5.6599
Spain	126.68	205.22	120.76	192.64	123.46	194.97	121.74	188.85
Sweden	7.3715	12.0043	7.2650	11.5843	6.9473	10.9631	6.6980	10.3804
Switzerland	1.1310	1.8341	1.1485	1.8329	1.1551	1.8184	1.1535	1.7866
Thailand	24.83	40.1459	24.68	39.2714	25.10	39.6942	25.19	39.1088
UK	0.6139	1.0000	0.6286	1.0000	0.6318	1.0000	0.6438	1.0000
USA	1.0000	1.6289	1.0000	1.5951	1.0000	1.5827	1.0000	1.5526